Mobile telecoms
AT&T's McCaw gamble in a booming market
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Get the message
Singapore sings its own praises
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US carmakers try to open doors in Japan
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The die is cast for chromium-plating
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FINANCIAL TIMES

Europe's Business Newspaper THURSDAY AUGUST 19 1993 D8523A

Bank of Japan rules out early cut in rates

The Bank of Japan has no immediate plans to cut the official discount rate, said Yasushi Mieno, the Bank's governor, in spite of the yen's sharp rise against the dollar and the sagging domestic economy. The bank did not consider the Japanese economy had hit bottom yet, but neither did it see any grounds to change its view that the economy would pick up in the second half of the year. Yen's rise likely to speed deregulation, Page 3; Japan braces for the US roadshow, Page 11

Equities rise strongly: Stock markets in the UK, Germany, Hong Kong, Spain, Singapore and Malaysia pushed up to new peaks, and led to early gains on Wall Street. Markets in continental Europe continued to respond to expectations of lower interest rates, while the UK and German markets were also boosted by suggestions that funds are being pulled out of Japanese equities. Page 11; Lex, Page 10; London shares, Page 19; World stock markets, Page 30

Bomb attack on Egyptian minister: General Hassan al-Alfi, Egypt's minister of the interior, was seriously injured and four people killed in a bomb attack on his car in central Cairo, presumed to be the work of Islamic extremists. Page 10

Inland China development drive: China has launched a drive to promote economic development zones in its inland regions to narrow the gap between the struggling hinterland and relatively prosperous coastal areas. Page 10

Yeltsin rivals accused: A Russian anti-corruption commission comprising supporters of president Boris Yeltsin accused vice-president Alexander Rutskoi, one of Mr Yeltsin's firmest critics, of being "linked" to a Swiss bank account holding millions of smuggled dollars. Page 2

Taiwan leader hangs on: Taiwan president Lee Teng-hui, won another four-year term as party chairman, fending off a challenge from dissidents in his ruling Kuomintang party. Page 3

'Slow' German recovery: German economic recovery from its current recession is likely to be hesitant, according to the Organisation for Economic Co-operation and Development. Page 2; GDP figure helps lift recession gloom, Page 2; E Germany sees former Comecon trade fall, Page 4

Crédit Suisse, flagship bank of the CS Holding financial services group, reported a 67 per cent jump in consolidated profits before taxes and provisions in the first half of 1993 to SFr2.4bn ($1.59bn). Page 11

US insurance law: Opposition to Proposition 103, the 1988 California law aiming to bring soaring car, home and commercial insurance costs under state control, has started to crumble. Page 4

Airlines still making losses: The world's airlines will lose another $2bn this year, said the International Air Transport Association (Iata), bringing the total to $13.5bn over the past four years. The forecast adds to the pressures facing the US to act on airline losses. Page 4; Air Canada eyes rival's international business, Page 4

Electrolux: Shares in one of the world's leading white goods manufacturers rose 4 per cent after the Swedish company saw better than expected first-half profits of SKr763m ($95m). Page 11

Barclays, the biggest UK bank, is on the verge of announcing that it has appointed a new chief executive from outside the banking industry, Sir Peter Middleton, the bank's deputy chairman, told banking analysts in New York. Page 11

Li-Peng resurfaces at beach resort:

A photograph of Chinese premier Li Peng at the popular Beidaihe beach resort near Beijing was released by China's official news agency, almost two months after his last public appearance. The release of the Xinhua News Agency photo dated August 5 appears to be an attempt to counter speculation that the reported heart attack he suffered in April has prevented him resuming many of his duties and could even cost him his job.

BICC, the UK cables and construction group, reported a 12 per cent fall in pre-tax profits to £51m for the half-year to June 26, blaming the deepening recession on continental Europe. Page 12; Lex, Page 10

STOCK MARKET INDICES

FT-SE 100	3073.8	(+48.6)
Yield	3.73	
FT-SE Eurotrack 100	1303.09	(+18.20)
FT-A All-Share	1524.33	(+1.4%)
Nikkei	20,773.18	(-68.80)
New York lunchtime		
Dow Jones Ind Ave	3605.70	(+18.72)
S&P Composite	456.04	(+2.91)

US LUNCHTIME RATES

Federal Funds	3 1/16%
3-mo Treas Bills: Yld	3.045%
Long Bond	99 11/32
Yield	6.271%

LONDON MONEY

3-mo interbank	5 13/16%	(same)
Liffe long gilt future:	Sep 113 1/32	(Sep 113 11/32)

NORTH SEA OIL (Argus)

Brent 15-day Oct	$16.905	(17.17)

Gold

New York Comex Dec	$377.5	(374.9)
London	$373.2	(372.7)

STERLING

New York lunchtime:		
$	1.513	
London:		
$	1.5125	(1.488)
DM	2.545	(2.5225)
FFr	8.9425	(8.8725)
SFr	2.25	(2.2425)
Y	153.5	(151.0)
£ Index	81.5	(81.0)

DOLLAR

New York lunchtime:		
DM	1.6795	
FFr	5.91325	
SFr	1.485	
Y	101.6	
London:		
DM	1.6825	(1.696)
FFr	5.9125	(5.9625)
SFr	1.4875	(1.5065)
Y	101.5	(101.45)
$ Index	65.1	(65.3)

Tokyo close Y 101.47

Austria	Sch30	Germany	DM3.30	Malta	Lm0.60	S.Arabia	SR11		
Bahrain	Din1.250	Greece	Dr300	Morocco	MDh13	Singapore	S$4.10		
Belgium	BFr65	Hungary	Ft172	Neth	Fl 3.75	Slovak Rp	KSL45		
Bulgaria	Lw25.00	Iceland	IKr215	Nigeria	Naira45	Slovenia	SLT220		
Croatia	HRD5700	India	Rs40	Norway	NKr16.00	South Africa	R12.00		
Cyprus	C£1.00	Israel	Shk5.90	Oman	OR1.50	Spain	Pta210		
Czech Rp	CZK45	Italy	L2700	Pakistan	Rs35	Sweden	SKr15		
Denmark	DKr15	Jordan	JD1.50	Philippines	Pso45	Switz	SFr3.20		
Egypt	E£4.50	Kuwait	Fils.600	Poland	Z22,000	Syria	S£50.00		
Finland	FM12	Lebanon	US$1.25	Portugal	Es215	Tunisia	Din1.250		
France	FFr9.00	Lux	LFr65	Qatar	QR12.00	Turkey	L8000	UAE	Dh11.00

Russia to start mass immunisation programme

By Chrystia Freeland in Moscow

RUSSIA yesterday announced a mass immunisation programme of its 150m population in an attempt to halt a diphtheria epidemic. Children will be inoculated first, but adults will have to wait until next year, officials in Moscow said. Immunisation of the whole population will take two years.

More than 4,000 cases of diphtheria have been reported in Russia so far this year, with about 100 deaths. Local authorities and medical experts blame deteriorating living standards and inadequate health supplies for the outbreak.

Diphtheria generally attacks the throat and tonsils and it can severely damage the heart and kidneys.

The incidence of tuberculosis in Russia is up 26 per cent this year, Dr Andrei Monisov, deputy head of the Russian government agency which deals with epidemics, said yesterday in Moscow. Typhoid fever, which hit the southern Russian city of Volgodonsk earlier this month, has infected 106 people.

The central Russian region of Altai has been declared "a zone of increased danger" because of an outbreak of anthrax, which 71 people contracted from diseased meat.

Moscow and St Petersburg have been hit hardest by diphtheria, but the epidemic has struck other regions of the country. Earlier this week a quarantine was introduced in the Siberian town of Abakan, when seven soldiers in a military unit based there were diagnosed with diphtheria and another 43 identified as carriers.

In Ukraine, Ms Roberta Feldman, an American who headed the International Finance Corporation's small-scale privatisation programme, fell ill earlier this year. A Ukrainian doctor treated her with five times the normal dose of out-of-date penicillin – the only possibly appropriate medicine on hand in Kiev – and the symptoms abated.

But about two weeks later Ms Feldman saw her doctor in the US. His diagnosis – yet to be confirmed by laboratory analysis – was that she was suffering from bubonic plague. Ms Feldman, has a scar on her forehead but has otherwise recovered.

Ms Feldman's experience is isolated – only one other case of plague seems to have been detected recently in the former Soviet Union – but is nevertheless indicative of the spate of rare diseases making a disturbing reappearance.

Dr Monisov said the diphtheria outbreak was so severe because large numbers of Russians have not been immunised. Many people had begun to refuse to allow their children to be inoculated because of the fear that unsterilised needles might be used to administer the vaccine. "There is a portion of the population in Moscow", he said, "which does not trust state medicine".

Dr Monisov said that the government is stepping up its drive to inoculate children – with disposable syringes, he emphasised – but that Russia would not be able to produce enough vaccine to treat adults until next year.

Dr Monisov said that, with 812 cases of diphtheria this year in Moscow out of a total population of more than 9m, the statistical chance of contracting the disease was slim. However, he did encourage tourists to be vaccinated before travelling to Russia.

Abroad, the outbreak is being taken seriously, enough so that Thomson Holidays, one of Britain's largest travel groups, has suspended tours to Moscow and St Petersburg from the end of August.

"Thomson just didn't feel comfortable about sending any more tours to Russia," a company representative said yesterday. She added that Thomson clients had found it difficult to obtain inoculations against diphtheria on short notice in Britain.

Russian health officials attributed the increased incidence of infectious diseases to the worsening economic situation and to the greater mobility of the population since the collapse of the Soviet Union.

Monetary union on course, says Bundesbank

By Quentin Peel in Bonn

THE BUNDESBANK said yesterday that the new wide margins of fluctuation within the exchange rate mechanism of the European Monetary System need not disrupt the process of monetary integration in Europe.

The German central bank said the second stage of European monetary union would still come into force by January 1, in line with the Maastricht treaty.

It left uncertain, however, the future timetable towards a single currency, saying "the further steps on the road to economic and monetary union will . . . hinge crucially on whether, and how soon, the economic and political prerequisites for a common currency can be fulfilled".

In a staunch defence of its own actions, published in its latest monthly bulletin, the Bundesbank said its credibility had been "hardened" by its proven independence, and its absolute priority for an anti-inflationary monetary policy, in recent weeks.

The article gave no hint of remorse for the stern monetary policy which precipitated the latest ERM crisis, arguing that the system had become vulnerable to massive speculation because the limits to exchange rate stabilisation had become clear.

The Bundesbank alone bought EMS partner currencies equivalent to almost DM60bn ($35bn) in July – mostly French francs. Purchases on July 30, when the Danish krone also fell to its lower intervention point, totalled almost DM30bn.

While it agreed the new broad currency bands in the ERM would offer Germany's EC partners greater latitude for a monetary policy independent of its own, the Bundesbank said they must "exploit this monetary policy scope with circumspection".

"From an all-European point of view, the temporary widening of the margins of fluctuation in the EMS is not to be regarded as a relapse into less orderly monetary conditions," the Bundesbank says.

"As long as member states' monetary policy makers abide by the medium-term objectives for price stability, and neither succumb to the temptation of eco-

Continued on Page 10

GERMAN economic recovery is likely to be slow and hesitant, with growth of 1.4 per cent in all-German gross domestic product next year, according to the Organisation for Economic Co-operation and Development. For the west German economy alone, the organisation expects a year-on-year real GDP decline of 2.5 per cent this year, followed by an increase of just 1 per cent in 1994. That is more pessimistic than the latest forecast from the German Economics Ministry.

Report, Page 2

On guard: Egyptian security forces at the scene of yesterday's bombing of the interior minister's car

Cairo bomb injures minister

By Shahira Idris in Cairo

GENERAL Hassan al-Alfi, Egypt's minister of the interior, was seriously injured and four people were killed yesterday in a bomb attack on the minister's car in central Cairo.

It was the latest in a wave of terrorist attacks on senior officials and tourist facilities during the past 18 months and was presumed to be the work of Islamic extremists.

The bomb exploded as the minister's car was within 500 metres of the interior ministry.

At least one of the four who died was a police officer. Another 16 people were injured, some seriously. General Alfi underwent surgery to an arm.

In a statement from his hospital bed he denounced the attackers as "terrorists, murderers and butchers who have no religion".

The area of the attack, close to the US embassy and Tahrir Square, was quickly sealed by police with armoured personnel carriers.

Gen Alfi, who took office only four months ago, has vowed to pursue a tough line against terrorists. His predecessor, Mr Abdul Halim Moussa, was removed from the post for reportedly having sought to open a dialogue with militant Islamic groups.

The determination of President Hosni Mubarak's government to respond harshly to the extremist threat has been brought home during the past two months by the execution of 15 convicted terrorists. Mr Mubarak has accused Iran of being behind the efforts to destabilise his regime.

Mr Safwat al-Sherif, the minister of information, narrowly escaped assassination in April, and earlier this week gunmen opened fire on a Nile cruise ship carrying British tourists. No one was injured in that attack, but over the past year and a half the death toll in terrorist-related incidents has reached 175, with twice that number injured.

Kodak to cut 10,000 jobs by end-1995

By Nikki Tait in New York

EASTMAN KODAK, the troubled photographic equipment company, expects to cut about 10,000 jobs by the end of 1995, some 7.5 per cent of its current workforce. The forecast cuts come on top of the loss of 2,000 jobs announced earlier this year.

The forecast was made in a letter to shareholders by Mr Kay Whitmore, Kodak's departing chairman.

Mr Whitmore, who has a reputation for disliking job cuts, was ousted as the head of Kodak by independent directors earlier this month, amid criticism that he was moving too slowly to address the group's restructuring needs.

He is staying on until a replacement is chosen. When Mr Whitmore's impending departure was announced, Kodak's directors said the company no longer expected to unveil a "turnround" plan in September, saying this would need input from Mr Whitmore's successor. But they added that Mr Whitmore would write to shareholders after the August 13 board meeting.

In his letter, Mr Whitmore said Kodak's current plans anticipate "reducing capital spending to the level of depreciation, capping both research and development

Continued on Page 10

CNN's Turner to buy two independent film studios

By Barbara Harrison in Atlanta

MR TED TURNER, the creator of Cable News Network, which has transformed television news around the world, has finally satisfied his desire to expand into Hollywood.

Mr Turner's Atlanta-based Turner Broadcasting System is to buy two independent film studios, Castle Rock Entertainment and New Line Cinema, for $672m in cash and shares. TBS will also assume roughly $170m of the studios' debts.

The combination of the two successful studios gives Mr Turner, who is married to the actress Jane Fonda, new muscle in the entertainment industry. It will enable him to produce and distribute top quality theatrical films as well as to stock his cable empire with fresh programming.

Castle Rock has produced such recent hit films as *In the Line of Fire* and *A Few Good Men*. It also produces *Seinfeld*, a popular US television show.

New Line, best known for its low-budget film series *Teenage Mutant Ninja Turtles* and *Nightmare on Elm Street*, has also produced more intellectually challenging films such as *Glengarry Glen Ross*.

TBS has agreed to acquire privately-held Castle Rock for a reported $100m in cash plus the repayment of $46m of debt to Westinghouse Electric, which owns 15 per cent of the studio, and $15m in debt to Sony Pictures Entertainment, which holds 44 per cent.

Turner will also assume roughly another $100m worth of debt, which was secured on Castle Rock's future production. The remaining 41 per cent interest in Castle Rock is divided among its five principals, including veteran Hollywood executive Mr Alan Horn and the film director Mr Rob Reiner.

Sony will continue to distribute the studio's films until 1997, but with a higher fee.

The acquisition of New Line, a listed company, involves $511m worth of Turner shares and the assumption of about $70m in debt.

The studio's founder and chairman, Mr Robert Shaye, who owns some 27 per cent of the company, stands to make a profit of more than $100m.

Each of New Line's 22m shares will be converted into 0.96 shares of Turner Class B common stock. Based on Turner's closing price of $24.12 on Tuesday, Turner will issue some 21m Class B shares for the merger.

Both deals were announced after the close of the market on Tuesday.

By midday yesterday on the US stock exchange, Turner Class B shares had fallen $1.50 to $22.62 and New Line's share had risen 0.12 to $18.75.

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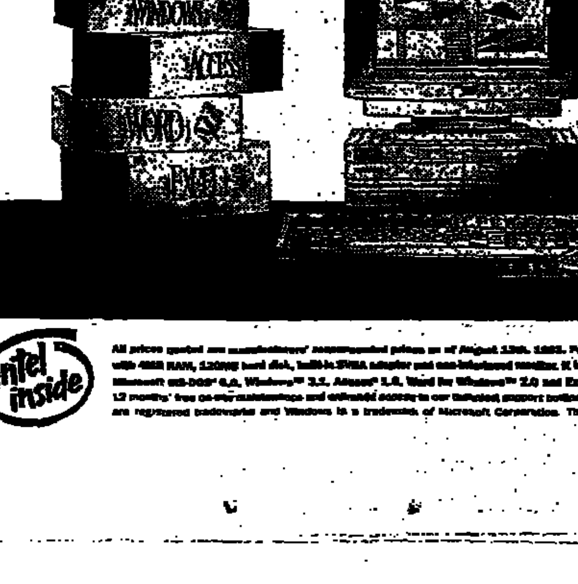

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NEWS: EUROPE

Economists cast doubt on Bonn's forecasts for end to recession

OECD warns on German growth

By Quentin Peel in Bonn

GERMAN economic recovery is likely to be slow and hesitant, with growth of 1.4 per cent in all-German gross domestic product next year, compared with a decline of 1.9 per cent in the current year, according to the Organisation for Economic Co-operation and Development.

For the west German economy alone, the organisation expects a year-on-year real GDP decline of 2.5 per cent this year, followed by an increase of just 1.0 per cent in 1994. That is clearly more pessimistic than the latest forecast from the German Economics Ministry, which is looking for a 1.5 per cent growth of GDP next year, after a decline of the same amount in 1993.

The caution of the OECD annual report, prepared in June and published today, is based on the probability of continuing sluggish consumer demand, with unemployment continuing to rise; an effective freeze on public sector spending, with a 3 per cent nominal ceiling on growth; and relatively weak export growth because of the hesitant world economic recovery and the strong D-Mark.

The report was released in Bonn yesterday, after its conclusions had been leaked in German newspapers.

It assumes a continued easing in interest rates, as the Bundesbank responds to slower inflation, continuing wage moderation, and "growing economic slack". Inflation is assumed to fall from almost 4.5 per cent in the first half of the current year, to below 3 per cent by the end of 1994.

"In the face of such an improving inflation outlook," the OECD says, "short-term interest rates are assumed to come down in the course of 1993 to around 5 per cent by end-year, and then fall by perhaps another percentage point in 1994, to 4 per cent by end year." The Bundesbank discount rate currently stands at 6.75 per cent.

Long-term interest rates are projected to fall only marginally, to around 6.25 per cent.

The other key element in German recovery, export earnings, are projected to grow by only 2.5 per cent in 1993, and by some 5 per cent in 1994, with competitiveness deteriorating further in the current year, because of the strong D-Mark. Relative manufacturing unit costs in a common currency are seen as increasing by some 5 per cent this year, before levelling off to an increase of less than 1 per cent in 1994. On the basis of a comparison with previous recovery periods from recession, the OECD expects an upturn in investment to begin in the first quarter of next year. But it warns that such an upturn may be delayed, because the last investment boom was exceptionally strong.

"Capacity is likely to keep growing faster than projected demand, even with slow or no growth of investment," it says. "Thus potential growth is likely to exceed actual growth for the foreseeable future, precluding a turnaround in capacity utilisation."

GDP figure helps lift recession gloom

By Judy Dempsey in Berlin

WEST GERMANY'S gross domestic product for the second quarter of this year was unchanged compared with the first three months, fuelling hopes that the recession has finally bottomed out.

Latest statistics from the federal Economics Ministry showed that the decline in GDP over the four previous quarters had been stemmed in the second quarter. During the first three months of this year it fell by 1.5 per cent from the previous quarter, or 3.2 per cent over the same period last year.

However, the Berlin-based German Institute for Economic Forecasting (DIW) yesterday dampened expectations for growth in the third quarter. It predicted that the economy would stay flat largely because rising unemployment was curtailing private consumption. It predicted that GDP for 1993 would decline by 2 per cent.

The two reports coincide with the release of official statistics on sales for the manufacturing and mining industry for the first half of the year. They show a fall of 8 per cent, to DM942.7bn (£377bn), compared to the same period a year ago, while exports, which totalled DM246.9bn, declined by 9 per cent.

However, both the ministry and the DIW are cautiously optimistic about growth in eastern Germany. DIW expects GDP to grow by 5 per cent this year in the five eastern Länder. It rose 6.3 per cent in the second quarter, compared to 3.9 per cent in the previous three months.

However, such growth is coming from a very low base. East German GDP contracted by 31.4 per cent in 1991, when the economy collapsed following monetary union, which exposed the region's lack of competitiveness, and the subsequent loss of industry's markets in eastern Europe and the former Soviet Union. GDP growth in 1992 was 6.8 per cent.

Much of the growth in eastern Germany remains concentrated on the construction industry and services.

Reuter

Police suspect arson may have been responsible for a fire which almost totally destroyed Lucerne's 650-year-old Kapellbrücke wooden bridge yesterday. The bridge, a national treasure and city landmark, will be restored to its original state by early next year, the city authorities announced.

Fighting threatens talks on Bosnia

By Laura Silber in Geneva and Gillian Tett in London

CONTINUED fighting in Bosnia yesterday threatened to undermine the peace talks in Geneva despite the agreement between the three warring parties to hand over control of Sarajevo to the United Nations.

A UN protection force official in Zagreb said fighting was continuing between Moslem and Croat forces in central Bosnia, in spite of formal agreements for a ceasefire.

Meanwhile, UN officials in Sarajevo repeated warnings that the estimated 35,000 Moslem inhabitants of Mostar to the south-west, who have been cut off from humanitarian supplies by fierce fighting between Croat and Serb forces around the city, are facing critical shortages of food and water.

A Red Cross worker there confirmed that the situation was deteriorating, and said the city was under sporadic shelling. Although Croat-dominated areas had some water, there was very little in Moslem areas, where food was also in shorter supply.

Mr Mate Boban, Bosnia's Croat leader, claims Mostar – mostly Moslem before the war – as the capital of his ethnic mini-state. UN officials yesterday dismissed his assertion that relief workers had been allowed into the city.

In an attempt to shore up the talks, international mediators summoned Mr Slobodan Milosevic, Serbian president, and his Croat counterpart, Mr Franjo Tudjman, to Geneva. Lord Owen and Mr Thorvald Stoltenberg, the conference co-chairmen, appear to believe that the Serb and Croat presidents, due to arrive today, will exert pressure on their respective proteges.

Meanwhile, as the diplomatic tensions between the UN and Nato over the possible use of air strikes continued to bubble, the Belgian government yesterday announced that it fully supported Lieutenant-General Francis Briquemont, the Belgian UN commander in Sarajevo, in spite of his controversial comments attacking Washington's threatened air strikes.

Gen Briquemont, and Brigadier Vere Hayes, his British chief of staff, had been quoted earlier this week as criticising the Nato plans for air strikes.

Their comment prompted an angry response from the US envoy to the UN, Ms Madeleine Albright, who said it was "unconscionable" for two senior UN officers in Bosnia to have questioned President Bill Clinton's policy.

Nato officials in Brussels yesterday sought to play down the comments, insisting that their threat of air strikes remained very real. Nevertheless, there were indications in London that Gen Briquemont's fears about the implications of air strikes were shared by many other European allies.

The threat of air strikes has receded in recent days with the withdrawal of Serb forces from strategic heights around Sarajevo.

Commander Barry Frewer, spokesman for the UN protection force in Sarajevo, said small numbers of Serb soldiers were still in the woods on Mount Igman despite an agreement to leave last Saturday, but said they posed no threat.

The UN and leaders of the Bosnian Serbs have already announced the complete withdrawal of Serb forces from Mount Igman.

Commander Frewer declined to say how many Serbs remained on the mountain which commands the western approaches to the city, but a Bosnian army spokesman claimed that at least 250 remained, with more hidden in the woods.

NEWS IN BRIEF

Romanian railway strike at an end

ROMANIA'S nationwide train stoppage ended yesterday as the last strikers went back to work. The week-long pay dispute had brought the country's railways to a near standstill and blocked international traffic through the Balkans, writes Virginia Marsh in Bucharest.

The government had threatened to sack all the strikers and replace them with pensioners unless they returned.

Russia interrupts troop withdrawal

Lithuania said yesterday that Russia had stopped pulling out its troops and might not meet an August 31 deadline for complete withdrawal, writes Matthew Kaminski in Vilnius.

A dispute over reparations apparently prompted the Russian move. There was no official comment from Moscow.

Unemployment in Finland tops 20%

Finland's jobless rate topped 20 per cent of the workforce in July, Reuter reports from Helsinki. The Labour Ministry said unemployment had increased to 20.4 per cent from 19.5 per cent the previous month and 15.1 per cent a year earlier.

The number of unemployed people looking for a job rose by 23,100 to 519,300 from a month earlier, reflecting the continuing effects of the deepest peacetime economic recession since independence in 1917.

Eight hurt in Istanbul attack

Attackers armed with explosives lightly wounded eight people, including two tourists from Hungary and Azerbaijan, in Istanbul yesterday, police said, Reuter reports from Istanbul. It was not immediately clear if the attack was part of a campaign by Kurdish guerrillas who have threatened to hit tourist targets in Istanbul and other western cities.

Ford strengthens management

Ford of Europe is strengthening the management of Ford-Werke, its German subsidiary, writes Kevin Done, Motor Industry Correspondent. The changes are aimed at more closely co-ordinating manufacturing, engineering and sales operations in Europe.

Mr Albert Caspers, Ford of Europe manufacturing director, is to take on the added post of chairman of Ford-Werke. Mr John Hardiman, the present Ford-Werke chairman, is to return to the US to a post in Ford 's international automotive operations.

A new post of Ford-Werke deputy chairman will be filled by Mr Heinz Soiron, managing director of Ford Spain. He will be responsible for the day-to-day management of sales, marketing and communications in Germany.

Jacques II leads restoration at EBRD

John Ridding and **Michael Prowse** chart the rise of a French mandarin

A FISCAL disciplinarian. A stickler for detail. A dedicated civil servant.

These are the kind of epithets used by former colleagues to describe Mr Jacques de Larosière, confirmed yesterday as head of the European Bank for Reconstruction and Development. They suggest he will run a much tighter ship than his predecessor, Mr Jacques Attali.

In Paris, government and financial officials say Mr de Larosière, the 63-year-old governor of the Bank of France, has the expertise and style to set a new course for the EBRD and to repair the damage to France's image wrought by Mr Attali's forced departure.

"The problems encountered by Mr Attali were a result of his style, but also a result of his lack of experience in banking and finance," said one French government official. "In both regards we expect a difference with Mr de Larosière."

Statesmanlike and precise, Mr de Larosière comes across as the archetypal central banker. Mr Attali, by contrast, struck many bankers as a Bohemian intellectual.

Mr de Larosière certainly has more impressive financial credentials than Mr Attali, who had never previously run a bank. Before becoming governor of the Bank of France in 1987 he served for eight years as managing director of the International Monetary Fund.

Before that he worked his way up the ranks of the French treasury, a period during which he managed development assistance programmes at the French economics ministry and chaired the economic development committee of the OECD. In 1974 he was appointed head of the French treasury.

De Larosière: Hopes to erase memories of ancien régime

According to one former monetary official in Washington, Mr de Larosière is a disciplined bureaucrat. "He has always regarded himself as an instrument of his political masters. He will not have his own agenda."

It was during Mr de Larosière's stint at the IMF in the early 1980s that the third world debt crisis briefly threatened the stability of the global financial system. Mr de Larosière is remembered for being cool and resourceful during the crisis. Mr Attali himself has contributed to this impression, writing in 1985: "The worst is over for Argentinian debt thanks to de Larosière who knew how to manage the crisis with the private banks."

However, others query the relevance of much of Mr de Larosière's experience for his new task. One former senior IMF official notes that Mr de Larosière's expertise lies largely in macroeconomic and fiscal policy.

He has no track record in promoting entrepreneurship or private sector development, a job that might come more naturally to a private-sector banker.

"His IMF background does not reassure me," says Professor Hans Singer of the Institute for Development Studies at Sussex University, a long-term critic of IMF structural adjustment programmes. He would have preferred a "neutral figure", perhaps from one of the Nordic countries rather than somebody associated with the IMF's "contractionist, monetarist framework".

"The west missed an opportunity in not appointing a well-qualified east European," comments Mr John Williamson, a senior fellow at the Institute for International Economics in Washington.

Mr de Larosière's most important contribution is likely to be in restoring morale and reforming the management of the EBRD which, under Mr Attali, has been heavily criticised for its slow disbursement of loans to eastern Europe and for its lack of financial controls.

"He is quiet, not bombastic, but he can be very tough," says Mr Paul Volcker, the former chairman of the US Federal Reserve Board, who worked alongside Mr de Larosière during the 1980s debt crisis.

Mr de Larosière "will run the EBRD with a firm hand", says a former colleague at the IMF. "He likes to make sure people know who is boss. He loves the thought of putting order into finances."

At the Bank of France, Mr de Larosière leaves more harmonious labour relations and a more efficient management structure than when he arrived.

In 1987 the unions at the bank launched sporadic protests against planned changes to working practices. Mr de Larosière reached an agreement with the unions and subsequently reformed the management structure, encouraging greater delegation of decision-making. Apart from the occasional spat, such as during the recent legislation to make the central bank independent, labour relations have been relatively smooth during his tenure.

Those who have worked with him say his management style is firm but open. "He likes to build a consensus before acting," says a colleague at the Bank of France.

At both the IMF and the Bank of France, Mr de Larosière won a reputation as an ardent advocate of macroeconomic austerity. At the IMF he had an almost emotional attachment to fiscal retrenchment in debtor countries, according to insiders.

In France the same firmness has been evident in Mr de Larosière's conduct of monetary policy.

An unswerving advocate of the strong franc policy of successive governments, he has sought to ensure a policy of financial discipline to reduce inflationary pressures and to improve the competitiveness of French industry.

This policy has been successful, with French unit labour costs now lower than most of France's European competitors and with annual inflation at a meagre 2 per cent.

However, the sustained assaults against the franc last month have strengthened the hands of those in Paris who are pressing for a more expansionary economic policy.

The currency crisis has also cast a shadow over Mr de Larosière's vision for western Europe.

He helped prepare the Delors report on European economic and monetary union, which laid the foundation for the Maastricht treaty, but which has been shaken by the weakening of the ERM.

Approaching retirement age, Mr de Larosière must now adjust to new horizons. He is likely to find the challenge of helping to revive the private sectors of eastern Europe and the former Soviet Union at least as demanding as any other he has faced in a long and distinguished career.

Steering system problem in jet crash

By Christopher Brown-Humes in Stockholm

A PRELIMINARY report on the crash of Sweden's fly-by-wire Gripen jet fighter in central Stockholm earlier this month has blamed a combination of the aircraft's steering system and the pilot's joystick movements.

The findings of the official inquiry will be crucial to the future of the SKr60bn (£5bn) project because of the jet's importance for Sweden's military aerospace programme. The JAS 39 Gripen is a single-engine, multi-role fighter being developed by a consortium led by Saab-Scania.

The project is already over budget and behind schedule, leading some commentators to question whether Sweden can maintain a viable military aerospace industry on its own. A prototype of the aircraft crashed during the development phase in 1989.

Yesterday's report said the sensitivity of the steering system needed to be corrected, but it otherwise found no technical faults. It did not blame the pilot, Lars Radestrom, directly, despite saying his "large and rapid joystick movements" contributed to the accident.

The high-profile crash took place during an air display in front of thousands of spectators on August 8. However, there were no casualties.

The Swedish air force has ordered 140 aircraft but consortium members have been relying on export orders to make the project a commercial success.

They have said they are aiming for orders for a total of 500 aircraft in the next 10-20 years. Although they have never identified potential export markets, countries in South-East Asia, Latin America, and central and eastern Europe, have all been mentioned. There was bitter disappointment last year when the Finnish government opted to buy 57 new F18s from the US group McDonnell Douglas. Mr Anders Björck, Sweden's defence minister, said yesterday: "There is nothing in the report to indicate the JAS project should be interrupted. I hope that the fault can be corrected as quickly as possible so the aircraft will be able to fly again soon."

De Larosière faces pressure to reform

By Robert Peston

THE recently constructed office suite of the president of the European Bank for Reconstruction and Development would not disgrace a Greek shipping magnate.

It has three ante-chambers, a private bathroom, mirrored ceilings, a deep white rug and spectacular views of the City of London and St Paul's Cathedral.

Mr Jacques Attali, for whom the top-floor office was designed, quit the bank a month ago, just as it was finished.

His successor, Mr Jacques de Larosière, has less flamboyant tastes. But given the severe criticism the EBRD has faced for the extravagance of its spending on its head office, Mr de Larosière is unlikely to ask for an immediate redecoration. On the other hand, he is under great pressure, from both staff and the countries and international agencies which own the bank, to make radical changes in the way the bank operates.

Overheads and the budget-making process would have been more tightly controlled whoever succeeded Mr Attali, following last month's proposals for reform from the bank's audit committee. More difficult for Mr de Larosière will be how to improve low staff morale and how to accelerate the rate at which the bank makes investments.

It was set up in the spring of 1991 to encourage the development of market economies in eastern Europe and the former Soviet Union. However, the rate at which it has disbursed loan and equity finance has been slow. In 1992, just Ecu126m (£95.13m) was disbursed, compared with a budget "base case" of Ecu272m.

In part, this was due to circumstances beyond the bank's control. The economies in the region have performed worse than expected, making it difficult to identify sensible investments.

An additional disappointment is that investments have been concentrated in four countries – the Czech Republic, Hungary, Poland and Russia – whose economies are robust or offer the greatest potential. In its first two years of operation, the EBRD gave no financial assistance to 10 countries.

Three reforms are under consideration by the bank's owners, to improve its impact on the region:

- To relax the stipulation, contained in the bank's charter, that no more than 40 per cent of investments should be directed to the public sector.
- To allow the bank to take more risks in its investments by increasing the amount of equity finance it can provide, as opposed to lending.
- To merge its merchant banking department, which is responsible for private sector investments, with its development banking department.

A merger of those departments could allow the bank to make investment decisions based on the needs of particular economies rather than purely on the potential return to be earned.

Yeltsin rivals accused in anti-corruption probe

By Chrystia Freeland and Dmitry Volkov in Moscow

AN anti-corruption commission made up of supporters of Russian president Boris Yeltsin yesterday accused the vice-president, Mr Alexander Rutskoi, one of Mr Yeltsin's most outspoken critics, of being "linked" to a Swiss bank account containing millions of dollars smuggled from Russia.

The commission also asked parliament to sack another Yeltsin opponent, the chief prosecutor, Mr Valentin Stepankov, Russia's most senior legal official, and to "review the conduct" of Mr Rutskoi. Mr Rutskoi dismissed the charges and described his accusers as "a committee of rascals".

The commission, whose chairman is the minister of justice, was set up by Mr Yeltsin. It has no authority to prosecute individuals, but it can make recommendations to the president that he bring cases before either the public prosecutors or parliament.

Yesterday's allegations highlight the extent to which widely popular anti-corruption campaigns are being wielded as political weapons in the conflict between Mr Yeltsin and his conservative antagonists. The battle began last April when Mr Rutskoi accused top Yeltsin allies of assisting "mafia-style groups" in their attempt to "seize control of the country".

Mr Stepankov continued the offensive by launching corruption probes into the affairs of two cabinet ministers who are strong supporters of the president.

Mr Yeltsin's camp struck back yesterday. Mr Andrei Makarov, a member of the anti-corruption commission, said the group had uncovered a network of corruption in the Russian government and law-enforcement agencies. "We are no longer dealing with individuals but a fully fledged system," Mr Makarov said.

He also accused Mr Stepankov of plotting to murder him and said that he could substantiate his charges with taped telephone conversations.

Yesterday's allegations included charges that officials illegally diverted oil which had been earmarked to fulfil Russian state contracts with Bulgaria and India and sold it instead in western Europe, privately pocketing the revenues.

Mr Yuri Kalmikov, the Russian minister of justice and chairman of the commission, blamed the prosecutor-general's office for "complete failure in the struggle against crime" and said he was handing his commission's charges over to the Moscow prosecutor's office instead.

Mr Ruslan Khasbulatov, the chairman of parliament and one of Mr Yeltsin's most bitter opponents, used a live television appearance last night to claim that "neither the prime minister nor the president is interested in effectively controlling the struggle against crime" and defended Mr Stepankov as the only Russian official seriously battling corruption.

- In response to widespread fears that many export deals benefit corrupt officials the Russian Ministry of Foreign Economic Relations yesterday severely restricted the number of companies, including joint ventures, allowed to trade in strategic raw materials.

Only four companies have retained the right to export oil, five to export petroleum products and five to export coloured metals.

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Yen's rise likely to speed deregulation

Reform would help public benefit from currency's surge, writes **Michiyo Nakamoto**

THE renewed surge of the yen brought signs yesterday that the Japanese government was preparing to speed up market reform in an attempt to boost the sagging Japanese economy and cut the high trade surplus.

Mr Hirohisa Fujii, the finance minister, has indicated that the structural reform of Japan's markets would be discussed when ministers meet today for emergency talks on the economic situation.

The government believes measures such as the deregulation of markets would not only help pass on the benefits of the high yen to the public but also deflect foreign criticism that Japan's closed market is keeping its surplus high.

The yen's latest sharp rise is attributed to a combination of factors:

- Yen buying by institutional investors who expect a reduction in the official discount rate from 2.50 per cent to 2.0 per cent to improve prospects for Japanese bonds and equities.
- Speculative money fleeing from European currencies into the relatively safe haven of the Japanese yen. The return of relative stability to Japanese politics has heightened the view of the yen as a safe currency.
- Falling Japanese investment flows to overseas markets, which have reduced demand for dollars.
- Loss-cutting selling by Japanese exporters and investors in currencies against which the yen has risen, such as the Australian and Canadian dollars and European currencies, which has affected the yen-dollar rate as well.

Behind all these moves is a spreading belief that the yen will continue to rise until the US is convinced that Japan is serious about reducing its trade surplus.

Comments last Friday by Mr Walter Mondale, the newly appointed US ambassador to Japan, that he considered correcting the bilateral trade imbalance an urgent priority have revived the view that the US may use the threat of a strong yen to goad the Japanese government into action.

The yen's initial rapid rise earlier this year was similarly triggered by comments by US government officials suggesting the Clinton administration wanted a stronger yen. "There is a perception that the US has no intention of supporting the dollar," says Mr Masayuki Takaura, chief of dollar-yen dealing at Sanwa Bank in Tokyo.

The situation has caught the just-formed Japanese government in a bind.

The US government wants Japan to reduce its current account surplus substantially by stimulating the domestic economy through fiscal measures, such as an income tax cut.

However, the coalition government under Prime Minister Morihiro Hosokawa has publicly stated that, due to the difficult financial situation the government faces amid the recession, it is not prepared to reduce income taxes immediately.

Nor is the government inclined to cover the shortfall in revenue by issuing deficit bonds.

Although the US and Japan are to begin official talks next month within a new framework for discussing bilateral trade and economic issues, there are no indications so far that differences on how to tackle the trade imbalance can be resolved.

Many traders agree that in the long term the current level of the yen-dollar exchange rate is not sustainable, since it does not reflect economic fundamentals.

But they also believe the yen's rising trend is unlikely to be quickly reversed, unless the US changes its policy stance or unless Mr Hosokawa's government sends a strong signal that it is prepared to tackle the surplus in a way that would satisfy the US.

A cut in the discount rate is unlikely to do the trick, say traders. "That would not have such a major impact because the US is demanding fiscal measures to stimulate domestic demand," Mr Takaura says.

Until the Japanese government can convince the US that whatever measures it adopts will be as effective in reducing the trade surplus as an income tax cut, it will continue to face the prospect of a relentlessly rising yen.

Party rebels fail to shift Taiwan leader

TAIWAN President Lee Teng-hui, fending off a challenge from dissidents in his ruling Kuomintang or Nationalist party, yesterday won another four-year term as party chairman, Reuter reports from Taipei.

"Our party is today moving towards more democracy and modernisation, creating a new beginning in the party's history," Mr Lee told the party congress after his victory.

In the first election by secret ballot for the post in the Nationalists' 99-year history, Mr Lee gained the votes of 1,686 delegates at the party's 14th congress.

But in a sign of unprecedented dissent among the Nationalists, 357 spoiled ballots were cast. Rebel delegates opposing Mr Lee, accusing him of delaying internal party reforms and failing to halt corruption, said they cast spoiled votes.

No one ran against him. Dissidents cancelled plans to field their own candidate after Mr Lee pushed through some internal reforms demanded by the rebels.

These included the creation of four new posts, for party vice-chairmen, and the new procedure for selecting the chairman.

"The elections for chairman were undemocratic. It is an inglorious victory for Mr Lee. We did not field a candidate because there was too much pressure on us," said Mr Feng Hu-hsiang, spokesman for the rebel faction.

In a conciliatory gesture towards the rebels, Mr Lee yesterday named Mr Hau Pei-tsun, a former premier ousted by the party's mainstream faction in February, and judicial branch chief Mr Lin Yang-kang as two of the vice-chairmen.

The other two are Taiwan Vice-President Li Yuan-zu and Premier Lien Chan – close political allies of Mr Lee.

Mr Lee, 70, became chairman at the last party congress in 1988. He has presided over a series of democratic reforms which began when his predecessor, the late president Chiang Ching-kuo, lifted martial law in 1987.

He has also engineered a gradual easing of tensions with China, over which the Nationalists have claimed sovereignty since they lost the civil war and fled to Taiwan in 1949.

But Mr Lee's reforms opened the way for the Nationalists' unity, once maintained through iron discipline, to crumble. He now faces a difficult task in trying to heal deep internal divisions which have become the most serious threat to the Nationalists' grip on power in four decades.

The Nationalists suffered a blow last week when a group of rebel legislators broke away to form their own party – the first formal split among the Nationalists since 1949.

Cambodian government soldiers patrol in Siem Reap. Government forces yesterday launched an offensive in the area *Associated Press*

OFFENSIVE LAUNCHED AGAINST KHMER ROUGE

By Iain Simpson in Phnom Penh

THE Cambodian government yesterday launched a military and political offensive against the Khmer Rouge with attacks on three of the guerrilla group's bases. In pre-dawn raids, soldiers from the newly unified Cambodian armed forces pounded Khmer Rouge bases in north-western Cambodia with mortars and heavy artillery.

"We won't allow the Khmer Rouge to occupy their own zone any longer," said government co-chairman Prince Norodom Ranariddh at an open meeting with the other co-chairman, Mr Hun Sen.

"From now on, any group or party that is outside the government is outside the law," the prince said. "And if they are outside the law then they are the enemies of the government, and guerrillas."

"There is no need to negotiate with the Khmer Rouge," Mr Hun Sen said. "The Khmer Rouge must give its army to the government and open its autonomous zone."

The government has also been broadcasting radio appeals and dropping leaflets on Khmer Rouge soldiers calling on them to desert their commanders and join the national army. They are being offered a reward and an equivalent rank to the one they have in the Khmer Rouge.

United Nations officials said it was not clear how successful the military offensive had been. The national army has made inroads into the three Khmer Rouge bases, which are logistical centres, but so far they are not in control of any of them.

Hussein law seeks to curb Islamists

Brotherhood may contest poll edict's legality, writes **James Whittington**

KING HUSSEIN'S announcement of a new electoral law this week is a clear demonstration of the extent of his alarm at the rise in popularity of Islamic politics in Jordan.

The new law, despite almost unanimous opposition from the country's fledgling political parties and members of parliament, is likely to be a serious blow to the Islamists' aspirations.

Under the previous system, the number of votes cast by a voter was determined by the number of seats in a constituency: a system which was widely held to favour large groups, such as the Islamists, able to field many candidates in each constituency. But the change will mean that the elections due on November 8 will be conducted on a one-person, one-vote basis.

It is thought the government's prime motive is to cut the seats held by Moslem fundamentalists in the new parliament. At the last elections in 1989, fundamentalists won 30 out of 80 seats.

Inevitably, fundamentalist reaction to the change has been condemnation. The Islamic Action Front (IAF), political wing of the powerful Moslem Brotherhood, is threatening to contest the legality of the new law, perhaps boycotting the elections altogether. It says parliament was dissolved by the king before the new law was issued to avoid debate and the risk of non-ratification.

> The previous system was held to favour large groups, such as the country's fundamentalists

Such threats are probably more a matter of form than an effort to bring about a head-on confrontation with the government.

The Islamists have until now been successful under Jordan's political system. Historically, the Moslem Brotherhood was favoured by the king as a counterbalance to the Arab nationalist and socialist parties, such as the Nasserites and Baathists, which were banned in 1957 following a coup attempt.

The fact that they were allowed to develop while other parties were banned was part of the reason for their success at the last elections. The Brotherhood's organisation and social influence were well established, while other political parties were legalised only last year.

However, in the last parliament, the fundamentalists rigorously pursued their aim of Islamicising the state.

Draft laws calling for segregation of sexes at public swimming baths, health clubs, schools and universities, and an alcohol ban were never passed, but, together with calls to abandon peace talks with Israel, they caused great anxiety for the government.

In announcing the new election law, the king urged fundamentalists to live up to their responsibilities and not "undermine or distort Islam".

> The king must control Islamic power if he is to preserve Jordan's democracy on his own terms

But unlike Algeria and Egypt, there is little evidence of Islamic militancy in Jordan – despite a trial due this month of 10 fundamentalists charged with plotting to assassinate the king in June.

Generally the fundamentalists work within the mainstream of politics.

As elsewhere, their support is based on easing economic deprivation and providing social welfare to the poor and needy.

Outside mosques in Amman on a Friday, the Moslem Brotherhood can be seen distributing subsidised food and clothes. It also runs hospitals and schools.

The Brotherhood is believed to have substantially more financial resources than other parties. But the source of funding is something of a mystery. Collections at mosques, and money from abroad, particularly Saudi Arabia, Kuwait and Iran, is said to boost finances considerably.

Whether the latest announcement will subdue the Islamists remains to be seen. But their presence will not go away. The king will have to maintain tight control if he is to preserve the kingdom's democracy on his terms.

Central Asian states join ADB

THE Asian Development Bank (ADB) yesterday said it had admitted the three central Asian former Soviet states of Kazakhstan, Kyrgyzstan and Uzbekistan as members, bringing its total membership to 56, Reuter reports from Manila.

The three would subscribe to a total of 31,476 shares with a par value of $10,000, raising the Manila-based bank's authorised capital stock to $24.1bn, the ADB said.

Their membership would become effective once they had completed payment of their capital subscription and other formalities, the bank said.

The three are already members of the London-based European Bank for Reconstruction and Development. Their ADB membership is expected to give them access to more concessional development loans.

Three other former Soviet states – Azerbaijan, Tajikistan and Turkmenistan – last year indicated their interest in joining the ADB.

NEWS IN BRIEF

Angolans move on rebel town

ANGOLAN government troops pushing towards the rebel capital Huambo killed 133 rebel fighters in a battle for the strategic town of Ganda which they captured this week, a military spokesman said yesterday, Reuter reports from Luanda.

Brigadier José Manuel said the army also captured more than one tonne of ammunition, hundreds of mines, 104 AK rifles, nine 60mm mortars and grenades during the two-week battle which ended on Monday.

Ganda lies halfway between the government-held coast and Huambo, the capital of the Unita rebel movement in the central highlands.

US envoy in Hanoi

The first US diplomat posted to Hanoi in nearly 40 years arrived yesterday, but the US went out of its way to play down his role, Reuter reports from Hanoi.

The temporary assignment of Mr Scott Marciel and two State Department colleagues to help the US military detachment in Hanoi did not mean the US was establishing relations with Vietnam, a US government spokesman said. "This temporary arrangement does not represent any change in US-Vietnamese relations," he said in a statement.

The Washington statement said the three diplomats would not rent office space, fly the American flag or hire local staff. "What we are doing is to strengthen our efforts to find the answers for the families of our missing men," it said.

N Korea 'to begin N-talks'

North Korea is ready to resume discussions with the United Nations nuclear watchdog on opening its atomic sites to inspection, the International Atomic Energy Agency (IAEA) said yesterday, Reuter reports from Vienna.

Pyongyang stepped back from the brink last month after weeks of tension following its unprecedented decision in March to withdraw from the Nuclear Non-Proliferation Treaty, blocking further IAEA checks. But a team of IAEA experts returned from a week-long visit to North Korea last Thursday and said they were only allowed to carry out maintenance work on surveillance equipment at two suspect nuclear plants.

EC approves Somalian aid

The European Commission yesterday said it had approved Ecu650,000 ($580,350) of emergency humanitarian aid to Somalia, Reuter reports from Brussels. The EC's executive said the money was for a medical and food aid programme in the El-Dere district and the Galgadud region, some 350km north of the Somali capital Mogadishu, which has no health service.

Sudan on 'terrorist' list

The US yesterday formally added Sudan to a list of nations it accuses of sponsoring terrorism, Reuter reports from Washington. The list already includes Iran, Iraq, Syria, Libya, Cuba and North Korea. It makes Khartoum ineligible for non-humanitarian US aid or for the commerical sales of US arms or technology that could equip terrorists, and it requires Washington to veto World Bank loans to Sudan.

De Klerk plays down role of talks

PRESIDENT F W de Klerk yesterday said the Inkatha Freedom party and other important players in South Africa's transition to democracy could approve a new constitution without returning to the multi-party negotiations, Reuter reports from Pretoria.

"My point of view is that all major role players must support the final result and the new constitution," Mr de Klerk said.

Asked if the process could be concluded without Chief Mangosuthu Buthelezi's Zulu-based Inkatha returning to the talks it walked out of last month, Mr de Klerk said: "One of the options could be that agreement could be negotiated in a process which is not necessarily concentrated around specifically one table."

Inkatha quit the talks on July 2, when the date of April 27 next year was set for the country's first all-race election. Chief Buthelezi said this was premature and criticised how decisions were taken at the talks. He has refused to send his delegation back to the negotiations but Inkatha has continued to hold bilateral meetings with the government and African National Congress.

"The election date can be reached, the formalities are not important," Mr de Klerk said. "In the final analysis a new constitution must have the support of all role players. We will be looking at all available options to ensure all agreements have the support of all major parties."

Singapore presidential race off to a slow start

SINGAPORE yesterday formally accepted two nominees for the country's first direct presidential election, but with no rallies or opposition candidates in sight, the race promises little in the way of spectacle, Reuter reports from Singapore.

A government commission announced it had accepted the candidacies of Mr Ong Teng Cheong, who resigned as deputy prime minister to run for president, and Mr Chua Kim Yeow, a former senior government official.

Mr Tan Soo Phuan and Mr Joshua Jeyaretnam were the only opposition figures seeking to run. Both were declared ineligible under a law which, in effect, rules out all but senior members of Singapore's establishment.

"It is anti-democratic," shouted Mr Tan after police escorted him from the nomination centre yesterday.

Prime Minister Goh Chok Tong said on Sunday only about 400 people were eligible as candidates under the law.

Political analysts say few Singaporeans doubt that Mr Ong will win the contest with the support of the ruling People's Action party, which has been in power since independence in 1965.

Nigeria advances handover

NIGERIAN Vice-President Augustus Aikhomu yesterday said the government had brought forward by two days – to August 25 – the date when its military-dominated cabinet would hand over to an interim national government, Reuter reports from Lagos.

But there is still confusion since the annulment of the June 12 presidential election. President Ibrahim Babangida has still not said whether he will resign or who the country's new leaders will be.

However, he did tell the national assembly on Tuesday that he would be "prepared and ready at the end of the interim government" to pass on his experience.

Subic Bay finds new role as an industrial base

Jose Galang reports companies value the facilities left by US forces

SUBIC, the former US naval base in the Philippines that is being transformed into an industrial zone, is slowly living up to hopes that it will become a magnet for foreign investment.

Nearly nine months after the Subic Bay Metropolitan Authority (SBMA) took over from the American forces, the facility has attracted nearly 20 projects, involving total investments of more than $307m (£207m). The authority says it has had a further 2,000 inquiries.

It is not difficult to appreciate Subic's potentials. The US forces left the area in November last year with well-paved roads, a telecommunications system, an airport, power-generating plants, and water and sewerage systems.

Having played a strategic role in US naval operations, Subic's natural deep-water harbour, well-maintained piers and berthing areas, could provide a transshipment centre for companies aiming for the Asia-Pacific markets.

All that makes Subic ideal for enterprises that want to start up quickly. Incentives offered to investors are also among the most generous in the region: a 5 per cent tax on gross income in lieu of all national and local taxes, no controls on foreign exchange, and free flow of goods and capital within the zone as a separate customs territory.

And yet just over a month ago the outlook for Subic was very bleak indeed. A June 10 executive order issued by Mr Fidel Ramos, the Philippine president, limited exemptions from import taxes and duties to raw materials and equipment being brought into Subic. Consumer goods, under the Ramos order, were to suffer the usual levies.

The sudden change in policy, lamented as a violation of the spirit of Subic as a "special economic and free port zone", caught not only the investors by surprise but also the SBMA officials. Apparently the Ramos order was drafted by his legal adviser without consulting SBMA executives.

Decrying the change of rules midstream, large investors at the industrial estate threatened to withdraw. Mr Ramos eventually amended his directive and granted duty-free import of consumer goods provided the items were consumed within the zone.

The Philippine Supreme Court then ruled as unconstitutional the appointment of Mr Richard Gordon as the SBMA chairman. Mr Gordon was also mayor of Olongapo City, where the Subic zone is located, and the court said individuals were barred by the charter from holding two government posts.

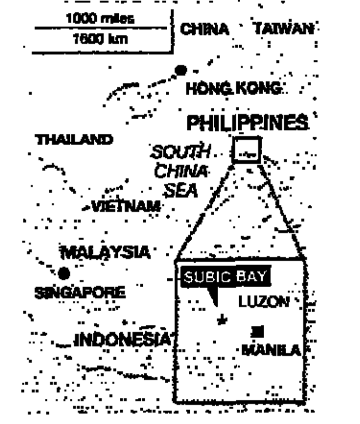
Mr Gordon, who was in Japan selling the Subic zone to prospective investors when the Supreme Court ruling was handed down, initially chose to stay with his Olongapo constituents. However, after being urged by Mr Ramos to "consider the bigger and broader interests of the country", he opted to stay on at SBMA.

Although quickly resolved, these anxious episodes typify, analysts say, the travails of doing business in the Philippines. Sudden changes in state policy, even while a new enterprise is still groping its way around, are not new to local investors. This pattern took hold during the martial law administration in the late 1970s, with many of the policy changes proving favourable to business groups close to the government.

If the Philippines is to get its economy on track for sustained growth and finally keep in step with its high-growth neighbours, analysts say, stable and even rules must apply. Subic may have awakened the 14-month-old Ramos administration to that necessity.

Last week Mr Gordon finalised a $60m loan agreement with the Taiwan government for the development of a 300-hectare area within the Subic zone that will be exclusively for Taiwan industries.

SBMA officials had earlier estimated that some 700 light and medium industries, all seeking to market their produce to various markets in the region, would locate operations at Subic. At the loan signing ceremonies in Taipei last week, however, officials were saying that only 30 companies had so far shown interest.



Airlines set to lose $2bn this year

By Daniel Green in Geneva

THE WORLD'S airlines will lose another $2bn (£1.34bn) this year in spite of a steady recovery in passenger traffic, Mr Pierre Jeanniot, director-general of the International Air Transport Association (Iata), said yesterday.

This is a sharp improvement on last year's $4.8bn loss but will bring the total lost by the world's airlines to $13.5bn over the past four years.

The forecast will add to the pressures facing the administration of President Bill Clinton to act on airline losses. A US commission is scheduled today to submit a report on ways "to ensure a strong competitive airline industry".

Mr Jeanniot blamed governments for the "sorry state" of the airline industry.

"Some governments, particularly in North America and Europe, have confused deregulation or liberalisation with laissez-faire," said Mr Jeanniot, a former president of Air Canada. He attacked the imposition of fuel taxes, as planned by President Clinton's administration, and said governments should consider measures such as guaranteeing loans to troubled carriers.

He conceded that the airlines had contributed to their problems by adding too much capacity in the face of limited demand.

Capacity on airlines rose 7 per cent in the first half of 1993, while traffic grew at only 6 per cent, according to Iata figures.

"There is 4 per cent more over-capacity now than four years ago," said Mr Tom Murphy, a senior director at Iata. "That's the equivalent of more than 400 Boeing 747s flying empty across the Atlantic Ocean every day." The over-capacity was likely to fall slowly and airlines would not return to significant profits until 1995, said Mr Jeanniot.

The latest figures from Iata indicate the slowness of recovery in demand. The first half of 1993 saw a further decline in companies' travel budgets. Surveys of business travellers show that 28 per cent have seen budgets cut this year.

This year's response to lower budgets is to travel less: last year, the tendency was to buy a cheaper ticket.

However, Mr Jeanniot said that when the upturn came airlines would recover quickly.

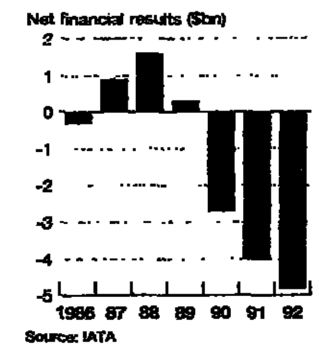
"Fuel prices and interest rates are about as low as they have ever been – we should be making a lot of money right now. We have been passing on productivity improvements to passengers. We must hang on to them for a few years. Fares don't have to go up."

Mr Jeanniot said there were still obstacles to further productivity gains. Airports and the world's air traffic control networks, for example, had not improved efficiency as much as the airlines. Airlines paid $12bn in airport fees and air traffic control charges in 1991. Total revenues that year were more than $200bn.

He said recovery was also being inhibited by the uncertainty of future government regulations.

As well as the US commission, the industry is being studied by a European Community comité des sages (committee of wise men), the EC council of transport ministers and the OECD.

World airlines industry



Source: IATA

E Germany sees former Comecon trade fall

By Quentin Peel in Bonn

GERMANY'S trade with eastern Europe and the former Soviet Union has undergone an extraordinary upheaval in the past four years, with a complete switch from east to west Germany as the main source of exports and market for imports.

A new report compiled by the Institute for the German Economy (IW) in Cologne shows how the external trade ties of east Germany collapsed after the Comecon trade bloc was effectively wound up in 1990/91, and how west German industry moved in to fill the gap.

Between 1989 and 1992, east German exports to eastern and central Europe fell overall by more than 75 per cent, from almost DM29bn (£11.5bn) to just DM7bn. In the same period, west Germany pushed up its sales from DM24.4bn to DM30.1bn, an increase of some 23 per cent.

East Germany's ailing enterprises were hit not only by the switch into hard currency pricing, but also by a clear preference in eastern Europe for west German products, according to the IW report.

The east Germans also proved unable to switch from state-trading relations to competitive export marketing.

More than 51 per cent of west Germany's exports to eastern Europe consists of investment goods and equipment, including machinery, vehicles and electrical products.

However, western exports, and imports, have been boosted by the trend towards the processing of German products under contract in the cheaper wage economies of eastern Europe.

Eastern Germany, on the other hand, retained much more traditional emphasis on raw materials and agricultural products in its exports.

Overall, Germany's exports to eastern and central Europe still fell – by some 30 per cent – between 1989 and 1992, while its combined imports fell by nearly 23 per cent.

Trade with the two parts of the former Czechoslovakia has grown dramatically with west Germany. German exports were up 172.5 per cent, and imports up nearly 166 per cent.

East German exports to the former Czechoslovakia fell less than to other parts of eastern Europe, down a mere 79 per cent in the period.

Norway in talks to prevent US sanctions

NORWAY will be holding a series of talks with US government officials through September in an effort to avoid US trade sanctions, writes Karen Fossli in Oslo.

Earlier this month, Mr Ron Brown, US secretary of commerce, made an official recommendation that Norway's decision to resume hunting minke whales in defiance of the International Whaling Commission moratorium undermined the effectiveness of the IWC's conservation regime.

Under a provision of US fishing law, called the Pelly amendment, such a step gives President Bill Clinton the authority to impose trade sanctions against the offending country, without limit to any amount or kind of product.

Sanctions are expected to be aimed at US imports of Norwegian fishery products, valued at between $50 and $100m a year.

Mr Clinton has to make a decision on sanctions against Norway by October 6, according to Norwegian officials.

The IWC voted in May to continue the moratorium on all commercial whaling despite a recommendation by its scientific committee for a limited harvesting of the minke whale.

Norway's whalers completed their hunt last month falling four short of a commercial quota of 160 minke whales set by the government. In autumn they will resume whaling for scientific purposes.

Explosion unearths chipmakers' fears

Emiko Terazono and Gordon Cramb on new concerns over price increases

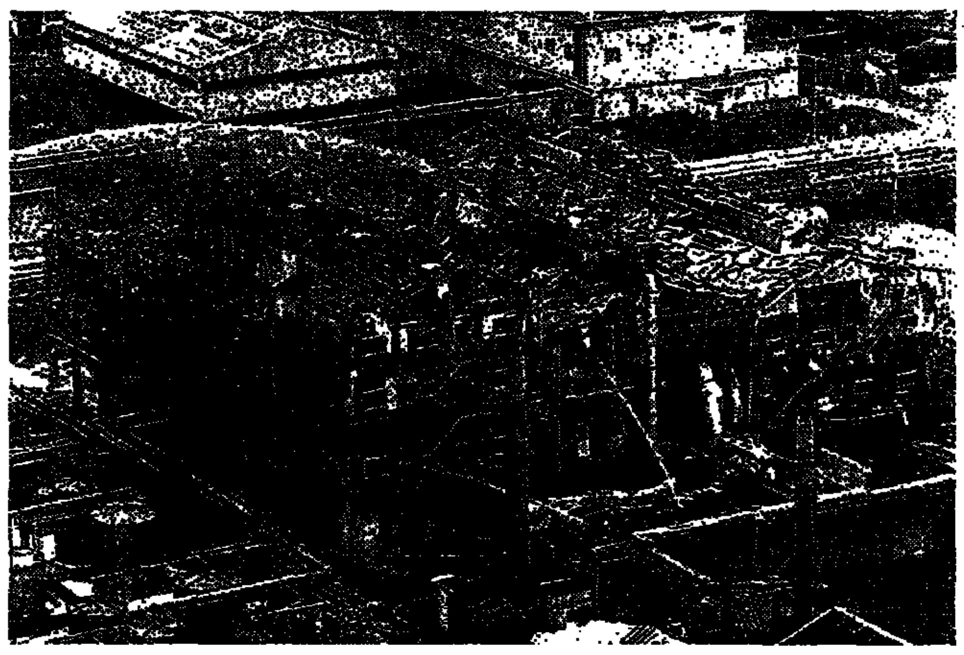
FEW in the world semiconductor industry had heard of the chemical plant in Niihama, a coastal city in western Japan, until it blew up last month. As the dust settled it emerged that the site produced 60 per cent of world requirements for a type of epoxy resin used to seal chips.

Sumitomo Chemical, owner of the plant, said yesterday that half its capacity should be restored by the end of the year. This partially allayed anxieties in the industry of a severe shortfall in supply of the material at a time when semiconductor demand, particularly in the US, is strong.

But it has not been able to quell concerns that Sumitomo's dominance of the epoxy resin market leaves chipmakers vulnerable – not so much to another explosion, but to price increases. Sumitomo had been trying to raise prices of epoxy resins since April, and the company yesterday said it would continue to press for an increase.

There were two main reasons why the semiconductor industry was in the dark about Sumitomo's importance as a supplier. First, epoxy resin producers sell their product not directly to the industry but to compound makers who provide the finished substance.

Second, the number of suppliers has shrunk relatively recently, with makers such as Dow Chemical of the US leaving the market. Chipmakers argue Sumitomo had gained its position in the past few years through aggressive pricing. The strategy, to buy market share and then boost its prices, may have been in its final stage when the blast occurred.



Reuter

The blast at Japan's Sumitomo Chemical factory sent shock waves through the chip industry

The chemical makers in turn blame the semiconductor industry for the razor-thin margins which the materials carry, saying that it has held down suppliers' prices to control costs during its cyclical downturn. Sumitomo itself says that its epoxy resin operations, with Y6bn (£37.8m) annual sales, were in the red. However, NEC, another leading Japanese electronics group, insists that Sumitomo's marketing policy was partly responsible for the low profitability of the epoxy resin business. "They came into the market with very cheap prices to increase market share," said one official.

An official at a US chemical company agreed that Sumitomo, which entered the market in the early 1980s, had destroyed the pricing structure for epoxy resin. Japan's Fair Trade Commission bans unfair price reductions which erode profits and drive competitors out of the market. But the FTC insists that it found no problem with Sumitomo's case.

Semiconductor makers have started to look at ways to reduce the use of epoxy. NEC says it is experimenting with other substances such as the ceramics which some producers use, while Toshiba is trying to cut down the size of the semiconductor itself.

The case has also flushed out the exposure of the semiconductor industry to one or two suppliers controlling other crucial substances. Tanaka Kikinzoku, a specialist metals company, produces an estimated 70 per cent of the wire bonding for semiconductors while Tokyo Ohka Kogyo has a 30 per cent market share for photoresists, another component.

Sumitomo has meanwhile acted to restore 50 to 60 per cent of its usual epoxy resin output from next month through arrangements with Nippon Kayaku and Dainippon Ink and Chemicals, the country's other two significant producers of epoxy, as well as with Chang Chun Plastics of Taiwan. They are boosting output through the use of spare capacity, technological assistance from Sumitomo, and adding production lines.

These moves have themselves given rise to fears that relationships among the suppliers are becoming more cosy. By next year Sumitomo should have regained its market leadership and may be in a position to dictate a mutually beneficial new pricing policy.

The market for the type of epoxy resin used in semiconductors is difficult to enter for other reasons. Purity requirements are high, and the first three months' output from any new facility is on trial and can be rejected by users on quality grounds.

Dow, which moth-balled its Texas plant in 1991, would be subject to the same vetting if it reopened. It was unwilling to do this unless Sumitomo guaranteed a market for the first five years of its output. The two are said to have discussed the possibility but such a commitment appeared too long-term for Sumitomo to find palatable.

The Japanese company said yesterday that it intended to have annual production capacity of 5,500 tonnes by the end of the year by restarting one of two lines at a cost of more than Y1.4bn.

Californian insurer backs down on rebate

By Louise Kehoe in San Francisco

THE insurance industry's opposition to Proposition 103, the "insurance revolt initiative" passed by California voters in 1988, is starting to crumble.

Allstate Insurance, one of the largest providers of property and casualty insurance in California, has agreed to pay policyholders $110m (£74m) in rebates on home and car insurance premiums, complying with the demands of state regulators.

The agreement with Mr John Garamendi, the state insurance commissioner, ends Allstate's five-year legal battle over implementation of Proposition 103. The California law sparked moves in several other states to bring soaring car, home and commercial insurance costs under state control.

Allstate has been in the forefront of the industry's legal battles against Proposition 103, which required insurers to cut 1989 premiums to 20 per cent below 1988 levels and submit all subsequent rate increases to state regulators for approval. Allstate and other insurers have insisted that their rates are fair and that they could not afford to pay rebates. However, announcing the settlement on Tuesday, the insurance company said it wanted to move forward after spending about $2m on litigation.

Refunds will be paid to Allstate's customers in California who purchased policies in 1989. The $110m refund represents 5.3 per cent of the $2bn in premiums collected by the company that year.

The surprise settlement is a significant achievement for Mr Garamendi, who is widely expected to be a candidate for state governor in next year's election. The agreement "sends a strong signal to other insurers," Mr Garamendi said.

However, Mr Harvey Rosenfield, Proposition 103 author, accused the insurance commissioner of offering "discounts" to insurance companies willing to settle the rebate issue. Allstate had originally been ordered to pay $244m in rebates, he said.

To date about a dozen smaller insurers have agreed to pay a total of $725m in rebates to their 7m customers in California. However, State Farm, the state's largest insurer, is continuing its legal fight against Proposition 103.

Associated Press

US President Bill Clinton dives into Beaver Lake from a boathouse at Springdale, Arkansas, as daughter Chelsea floats on a raft. The family are to holiday in Martha's Vineyard, Massachusetts

World Bank move on plan to monitor projects

By George Graham in Washington

THE World Bank board will meet next week to discuss proposals for setting up an inspection panel to review complaints about projects from executive directors or outside groups.

But the draft paper circulated to directors before the meeting suggests a modest unit with an annual budget of only $600,000 (£402,700) and a single permanent, though not necessarily full-time, staff member.

The suggested annual budget is almost exactly half of that required for a single independent commission set up under Mr Bradford Morse, former administrator of the United Nations Development Project, to investigate the World Bank-funded Narmada dam project in India.

The furore over Narmada was a driving force behind many World Bank directors' desire to set up some form of inspection panel.

Criticism of the draft paper, especially from environmental groups which have led the battle against projects such as Narmada, focuses on the limits proposed on the panel's independence, on the restricted scope of complaints it could investigate, and on the publication of the panel's verdict.

Complaints could be brought either by any four executive directors or by a directly affected third party, but in the latter case the board would decide whether to proceed with an investigation.

Environmentalist groups also complain that investigations would be limited to violations of the World Bank's own policies, rules and procedures. They would not be allowed for violations by a borrower country of its loan agreements with the World Bank.

In most cases, critics of the paper argue, the bank follows procedures in drawing up its loan agreements, insisting on very adequate environmental and human rights safeguards; the problem arises when those safeguards are not put into effect by the borrower.

A further criticism is the draft paper's proposal that the panel's judgement should only be released to the complainant after the World Bank board had already taken a decision on what to do about it, too late for the complainant to have any input into the remedy.

A separate draft paper on expanding the disclosure of World Bank information, is also due to be discussed but is at a more advanced stage, and could be concluded that day. The inspection panel document is likely to be reworked and concluded shortly before the bank's annual meeting at the end of next month.

Latin America's dragon running out of puff

David Pilling on signs that the global downturn is adversely affecting Chile's economy

IT IS a mark of Chile's remarkable economic success that the prospect of 6 per cent growth this year is creating something of a panic among Santiago's business community. Only a few days ago Mr Jorge Marshall, the economics minister, was obliged to deny publicly that the country was in danger of slipping into recession.

But there are signs that the world economic downturn is starting to catch up with Chile, which registered a 10.4 per cent rise in gross domestic product last year and which has seen growth averaging 7 per cent since 1987.

"For a while there may have been a feeling that Chile could defy gravity," said one western diplomat. "But now there is a consistent picture of unambiguous deceleration."

Such deceleration, which comes in spite of estimated 7-7.5 per cent growth in the first six months of this year, is most clearly marked in Chile's balance of trade position. This year the central bank is predicting a $500m (£335.5m) trade deficit, the first in 12 years, as the price of commodity exports slips and imports remain strong.

In the first half of the year Chile recorded a $112m trade deficit, with exports down 4.1 per cent and imports up 19.3 per cent on the same period of 1992.

Private economists predict that the current account deficit, which amounted to $583m last year, will widen in 1993 to $2bn-$2.2bn, or up to 5.5 per cent of GDP. However, most observers believe the country, which has $9.9bn in foreign exchange reserves and continues to attract healthy capital inflows, can sustain such deficits for a few years, but not indefinitely.

> 'In terms of investment we can be satisfied'

The first six months of 1993 has seen a sharp deterioration in prices for Chile's main exports.

The price of copper, which accounts for more than 30 per cent of export revenue, is likely to average considerably less than the government's budget estimate of 96 US cents a pound.

Given that every one cent slide in the copper price costs the Treasury $22m, Chile would "lose" about $200m at current prices. It is a measure of the country's fiscal prudence that at least $100m of this will be met from a $800m copper stabilisation fund accumulated since 1988.

Other commodities have also suffered. The price of fishmeal has been affected by a rapid expansion of Peruvian production, while that of cellulose has slipped because of overcapacity and competition from recycled paper. Fruit growers, whose penetration of world markets has typified the country's dynamic export performance, claim that the European Community's restrictions on Chilean apples have cost the economy at least $100m.

In all, economists estimate that, barring a sharp recovery in commodity prices, the country is likely to suffer a "terms-of-trade shock" this year equivalent to 2-3 per cent of GDP.

However, non-traditional exports such as salmon, wine and mining equipment surged by 10 per cent in the first six months, a sign of continued export diversification. The strong performance of such sectors adds weight to those who argue that Chile's economy, which underwent wholesale restructuring through the 1980s, is in a good position to weather the fleeting storm of low commodity prices.

Although imports in general continue to grow, those of consumer goods are slowing. Consumer imports in the first half of this year, at $945m, were 14.5 per cent down on the second half of 1992. One economist called this "welcome and necessary".

Imports of capital goods, on the other hand, were worth $1.6bn in the six months to June, against $1.2bn in the same period of last year. This suggests that levels of investment, and therefore the prospects for future growth, remain healthy.

"In terms of investment we can be satisfied," said Mr Alejandro Foxley, the finance minister.

Government officials say that most fundamentals remain healthy. Inflation, at about 12 per cent, is in check while the peso, which has been appreciating steadily to the detriment of exporters, appears to be stabilising and may even edge down slightly. Interest rates, which have been relatively high this year, are also likely to come down.

> 'We're too close to the top to see the bottom clearly'

The government appears to be keeping a tight rein on spending, in spite of pressures to relax controls ahead of presidential elections in December. The Finance Ministry projects a $500m balance of payments surplus this year.

Mr Armen Kouyoumdjian, an economic consultant, still rates Chile's economy as the "healthiest in the region".

Mr Foxley sees no cause for concern. "One has to remember that the economy is going to grow by 6 per cent this year, that the rate of unemployment in Santiago is below 4 per cent for the first time in 30 years, and that we have record public and private investment as well as falling inflation."

There nevertheless remains the nagging worry that Chile, the self-styled "dragon" of Latin America, may be running out of puff. As one diplomat put it: "We're too close to the top to be able to see the bottom clearly."

He is one of the many observers who expects Chile to pull off a "soft landing," but warns it is too early to tell for certain.

Air Canada eyes rival's international business

By Robert Gibbens in Montreal

AIR CANADA has offered to buy rival Canadian Airlines' international business for C$200m (£102m) and assume C$800m of debt and lease obligations for three 747-400s and five 767s.

Mr Hollis Harris, Air Canada chairman, said the offer would bring stability to Canada's airline industry, providing one viable international carrier while preserving Canadian Airlines as a domestic and North American carrier. Both companies would be strengthened, he said. "Together we could create jobs and avoid the import of management control."

Mr Harris said that under the offer Air Canada would take over Canadian's international cockpit and cabin crews. It would get Canadian's Asian and European routes and apply for new destinations, such as Amsterdam and mainland China.

He ruled out a complete merger.

هكذا من الأصل

● Government damps expectations of early interest rate cut ● Annual inflation rate steady ● Pound up sharply

Retail sales rise boosts hope for sustained recovery

By Emma Tucker and Peter Norman, Economics Staff

MODEST price increases coupled with rising retail sales suggest the UK is on course for sustained economic recovery, prompting the government to damp expectations of early interest rate cuts.

Retail sales were up 4.4 per cent in July compared with a year ago, the biggest year-on-year increase for more than four years, although they fell 0.2 per cent compared with June.

Headline inflation fell by 0.2 per cent on the month leaving the annual rate only slightly higher than June's 30-year low of 1.2 per cent.

Retail prices rose 1.4 per cent in the year to July. Excluding mortgage interest payments, they rose by 3.1 per cent up from 2.9 per cent in June, well within the Treasury's 1 per cent to 4 per cent target range.

Mr Michael Portillo, chief secretary to the Treasury, reinforced the message that the government was not yet prepared to cut interest rates from their current level of six per cent.

His comments that no changes in base rates were expected sent the pound sharply higher. It closed up 2¾ pfennigs on the day at DM2.5450. Against the dollar it closed up just under three cents at $1.5125.

Expectations of steady UK economic growth were reinforced by the National Institute of Economic and Social Research, one of Britain's leading economic research bodies. But it warned that inflation is also likely to pick up next year.

The institute forecast that growth would accelerate to an annual rate of 3 per cent by the final quarter of this year and average 2.9 per cent in 1994. While the institute expects underlying retail price inflation will stay within the government's target range this year, it forecast that both the "headline" and underlying inflation rates would reach around 4.5 per cent by the middle of next year.

The institute expects the government will raise indirect taxes by about £2.5bn and reduce interest rates by 0.5 percentage points in its November Budget. But it said the rate cut might have to be reversed early in 1994 as inflation moves above the top of the official target range.

The Central Statistical Office figures showed that in the latest three months, retail sales rose by 0.7 per cent compared with the previous quarter, and by 3.6 per cent compared with the same three months a year ago. Thus the small July drop, did not break the upwards trend in retail sales.

The figures suggest that sales by mixed businesses - mainly department stores - are leading the rise. In the three months to July, sales volumes rose a seasonally adjusted 1.9 per cent, compared with the previous three month period. Food retailers' sales rose 0.4 per cent.

Sales by non-food retailers were up 0.4 per cent in the latest quarter, with the strongest performance coming from household goods. These rose 3 per cent in the three months to July to stand 10 per cent up on the same period a year ago.

UK borrowing 'sustainable'

By Peter Norman, Economics Editor

THE government's forecast of a £50bn public sector borrowing requirement for this financial year does not spell crisis for Britain's public finances, a leading UK economic research body reported yesterday.

The National Institute of Economic and Social Research said in its latest quarterly economic review that current fiscal policy was sustainable. It said recent government actions would tend to stabilise the PSBR at about 2.5 per cent of gross domestic product by the late 1990s, compared with 8 per cent of GDP officially envisaged for 1993-94.

The institute's forecast for the UK economy assumes that Mr Kenneth Clarke, the chancellor of the exchequer, will announce a further £2.5bn of tax increases in the November budget on top of the £6.7bn of tax increases for 1994-95 and the £10.3bn for 1995-96 introduced in the March budget.

It said the government's case for fiscal tightening in November should not rest on "such insecure foundations" as fears about future debt levels. "The need to raise tax rates to stabilise the debt stock has been greatly exaggerated," the institute commented.

It said tax increases in November would be more justifiable as part of a policy switch in which taxes were raised and interest rates cut to maintain demand. Such a policy change might be advisable if interest rates were to fall sharply elsewhere in Europe or the pound were to rise strongly, undermining the competitiveness of UK exports.

The institute's analysis suggests that the ratio of general government gross debt to GDP will stay well within the Maastricht treaty criterion of 60 per cent of GDP in the years ahead. While the ratio will rise from an estimated 40.4 per cent last year, it should stabilise a little below 50 per cent by the end of the decade, it said.

The institute is more optimistic than the government about current borrowing trends. It expects a 1993-94 PSBR of £46bn, equivalent to 7 per cent of GDP.

Its main forecasts assume that UK short-term interest rates remain in a 5.5 per cent to 6.5 per cent range during the next two years before rising again.

Looking ahead to next year, the institute expects consumer demand to accelerate in spite of the prospect of higher taxes.

Inmates at Dartmoor Prison in south-west England restoring eight old telephone boxes to be auctioned for charity. The boxes, donated by British Telecom, date from the 1920s and are expected to raise more than £1,000 each for the Prince's Youth Business Trust, a charity founded by Prince Charles and local community work

British Gas may increase overseas investment

By Deborah Hargreaves

BRITISH GAS will be looking to expand the company's overseas operations and concentrate more of its investment abroad if the recommendations made by the Monopolies and Mergers Commission on Tuesday are adopted by the government, the company said yesterday.

The commission proposed in two wide-ranging reports that British Gas lose its monopoly over household supply by 2002. It also recommended the sale of the company's trading arm by 1997 as a way of encouraging competition.

Mr Cedric Brown, chief executive, said: "With the sale of the trading arm, we will no longer have the opportunity to grow the UK gas market directly. From the point of view of growth of the company, that puts more focus on our overseas activities".

He said the company had already placed a great emphasis on expanding overseas. Its opportunities to invest in the UK would be curtailed with the sale of the trading arm - which sells gas to households and industrial customers.

British Gas acknowledged that there were many opportunities for expansion worldwide. But its overseas expansion programme, which had seen the company pay £1.5bn to build its Global Gas division since privatisation, has been widely criticised in the City for lacking focus.

"So far Global Gas has a portfolio of various businesses around the world which hasn't added up to anything meaningful," said Ms Irene Himona, industry analyst at Société Générale Strauss Turnbull.

British Gas's overseas businesses are concentrated in its exploration and production division which also includes interests in the North Sea, and its Global Gas unit which buys into overseas gas markets.

Swedish and South African companies in talks over £250m project

Kent site likely for paper machine

By Maggie Urry in London Philip Gawith in Johannesburg and Christopher Brown-Humes in Stockholm

THE PROBABILITY that a new £250m paper machine would be built in Aylesford, Kent rose yesterday when SCA Group, of Sweden, and Mondi Europe, largely owned by South African interests, said they were in preliminary talks over co-operating to build the machine.

The machine would be able to produce 280,000 tonnes of newsprint a year, adding to capacity of 90,000 tonnes from an existing machine and providing up to 100 new jobs.

If the discussions are fruitful, a decision is expected this year so that the machine could be commissioned by mid-1995.

It would use recycled fibre as its raw material, as the existing one does, and SCA plans to increase its post-consumer waste collection system to provide 80 per cent of the 400,000 tonnes of waste paper the mill would need each year.

SCA's Maybank subsidiary is already a large collector of pre-consumer waste and has started "paper banks" in co-operation with local authorities.

The UK currently makes about 36 per cent of its annual newsprint requirement of close to 2m tonnes, with the rest imported. Overcapacity in Europe and dumping from Canadian producers have cut newsprint prices sharply in the last two years, forcing some European producers into losses. Imports from Canada have begun to recede, partly because demand in the US has picked up.

The new machine could increase UK production nearer to 50 per cent of consumption. Its site is only 30 miles from London, the largest printing centre in Europe. The project has already attracted a £20m UK government grant.

SCA is one of the largest European paper groups. Mondi Europe, owned by a consortium led by Anglo American Corporation, and including De Beers, Minorco and Mondi Paper, a large newsprint producer in South Africa, has invested in two Austrian paper companies. The proportion it could take of the Aylesford project is still under discussion. It would be likely to pay for its share from funds it holds outside South Africa.

Mr Ulf Frolander, president of SCA Graphic Paper, said he expected some recovery in the newsprint market by 1995, with capacity utilisation and prices forecast to rise.

Plans for a new machine at the site, which is owned by SCA, were first announced in 1989, when the mill was owned by Reedpack, the management buy-out from Reed International. Reedpack was taken over by SCA in 1990.

SCA continued working on the project but decided to bring in a partner to reduce its risk. Mr Frolander said if talks with Mondi did not succeed SCA would seek another partner.

Britain in brief

Legal action over Maxwell life policy

Administrators to the companies formerly owned by the late Robert Maxwell have begun legal proceedings against insurers which are refusing to settle a policy on the life of the publisher.

A writ seeks payment of more than £10m on a personal accident policy taken out for Robert Maxwell by four companies: Maxwell Communication Corporation, Mirror Group Newspapers and two businesses within the private empire, Robert Maxwell Group and Headington Investments.

The writ and statement of claim name more than a dozen companies including several UK large composite insurers. The move follows a breakdown in discussions for a compromise out-of-court settlement without accepting liability by all the insurers involved.

The insurers have argued that if Maxwell was assassinated or committed suicide, his policy would be void.

Officials sent into industry

The Treasury is to make officials spend long spells in private sector companies as a condition for promotion to senior levels of the civil service.

Its decision will mean that civil servants approaching assistant secretary level will serve two-year secondments to a wide range of companies throughout the UK. The development comes as Britain's monetary authorities, the Treasury and the Bank of England, are struggling to overcome criticism that they are out of touch with industry.

Oil companies deny 'collusion'

Oil companies have been privately discussing union derecognition across the British oil industry, it was confirmed by Shell UK. However, the company rejected a union accusation that the oil companies are in "collusion" on a union busting strategy.

EC exporters suffer losses

One in five UK exporters has suffered losses over the past year because of non-payment by customers elsewhere in the European Community, NCM Credit Insurance, Britain's leading export credit insurer, has said in a study.

The cost of payment delays rose 53 per cent in the 12 months to June 30. For reasons of market secrecy, it did not reveal the cash cost of payment delays.

"The outlook for UK exports, 60 per cent of which normally go to the EC, remains bleak," said Ms Conni Randall, NCM's business strategy director.

Among the leading EC markets, losses due to non-payment were highest in France, where 20 per cent of exporters reported losses in the 12 months to June 30. Even Germany, regarded as one of Europe's most stable export markets, saw one in 14 companies reporting losses.

A-level results improve

Results for students sitting A-levels, exams usually taken at 18 and essential for university entrance, improved for the fifth year in succession, with an 80 per cent pass rate.

But the figures intensify the strain on the UK's higher education system, which has made conditional offers to more students than it can now afford to take. Universities cannot refuse any applicant who has satisfied the conditions of their A-level offer, but tutors predicted the increased pass rate would mean that many "narrow miss" applicants who would have gained a place last year would be disappointed.

Exam entries fell in the science subjects which the government has attempted to encourage.

No yolk

Bird protection officials are concerned that a new range of reproduction wild birds' eggs could prompt more people to steal the real thing.

The RSPB said: "We are concerned that by highlighting the attractive nature of birds' eggs this could result in people taking up the collection of real eggs which are free if you don't get caught." The RSPB believes there are at least 300 egg collectors in Britain.

UK telecom licences go abroad

THE UK government has granted draft licences to three foreign-owned companies to offer telecommunications services in the UK, writes Andrew Adonis.

The draft licences have been issued to Sprint, the third largest long-distance US operator; Telstra, the overseas arm of the Australian national operator; and Worldcom, a London-based company owned by Telecolombus of Switzerland and IDB of the US, both communications groups.

If confirmed, the licences will give the three carriers wide-ranging powers to offer services on leased lines and over the public network.

The government's readiness to grant public telecommunications licences to the overseas companies marks a milestone in the development of competition in the UK market.

American Telephone and Telegraph, the largest US operator, has a licence application pending. If the three draft licences are granted, the precedent will improve the chances of AT&T gaining direct access to the UK market.

The operators would also be allowed to operate "international simple resale" (ISR) services, re-selling leased lines connected to the public network at both ends, to Australia, Sweden and Canada. As the list of ISR countries is extended, the value of the licences will increase.

Four major licences have been issued since the 1991 UK duopoly review.

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MANAGEMENT: MARKETING AND ADVERTISING

Courtesy, punctuality and fecundity have all been the subject of state campaigns, writes **Victor Mallet**

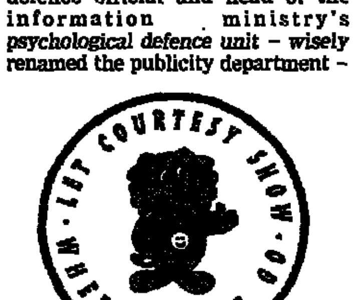
Sing Singapore

Singapore's 2.8m inhabitants are living proof that patriotism, politeness and punctuality – even fecundity – can be marketed and advertised by governments in much the same way that washing powder is sold by soap manufacturers.

For more than a decade advertising agencies on the island have done brisk business for a famously *dirigiste* government, bombarding citizens with campaigns urging them to love their country, turn up at wedding parties on time and flush the lavatory.

The campaign to persuade people to have fewer babies was so successful that the anxious authorities have made a U-turn and are now pleading with them to have more.

One of the pioneers in selling feelings rather than products in Singapore was the British-educated Richard Tan Kok Tong, a former defence official and head of the information ministry's psychological defence unit – wisely renamed the publicity department –



who is now responsible for corporate advertising at Singapore Press Holdings.

In 1981 on a visit to the UK, Tan was so impressed by the patriotic mood in London's Albert Hall on the last night of the Proms he decided to use songs to create what he calls a "Ra! Ra! Rule Britannia kind of spirit" in multi-racial Singapore.

The early hit song "Stand up for Singapore" became the basis for a continuing campaign called "Sing, Singapore". And, since then neither the government nor the advertising industry has looked back.

Ten years ago the defence ministry took the revolutionary step of using advertising to sell the idea of "total defence" – involving civilians as well as troops. The S$1m (£435,000) budget was at that time the largest in the history of Singapore, says Tan. "I was given a special award by the industry before I left the government!"

Last year the government bought advertising space worth S$9.7m for its various campaigns, according to Survey Research Singapore, the island's main advertising research group. In the first half of 1993, the Family Life Education Programme, which features sugary, televised scenes of happy families in an attempt to encourage Singaporeans to have more children, was the fourth biggest brand campaign in the country and spent S$1.93m – slightly less than Kentucky Fried Chicken.

"Government campaigns are quite sought after by advertising agencies," says Rosalind Chan, group account director of J. Walter Thompson in Singapore. "They do have pretty big budgets."

The Courtesy Campaign, for example, dates back more than 10 years and is still going strong with an annual budget of S$600,000, in addition to corporate sponsorship.

Among the government's latest targets are Singaporeans who are too greedy at buffet lunches; a poster bearing the slogan "If we could only see ourselves sometimes" shows a man putting a whole lobster on a plate already groaning with noodles, meat, vegetables and prawns.

Measuring the results and effectiveness of campaigns about such ambiguous notions as patriotism and politeness is inevitably a subjective affair. Non-Singaporeans, when questioned on the value of government campaigns are apt to laugh or groan. "These gooey adverts on TV really are horrible if you come from a different cultural background," says one westerner after watching a "family life" spot.

One campaign urges Singaporeans not to be too greedy at buffet lunches

The consensus among Singaporeans, however, is that the campaigns do work in Singapore because the inhabitants are accustomed to official exhortations and even the young are accustomed to obeying them.

The campaign to persuade people to have fewer babies was so successful the authorities made a U-turn and are now pleading with them to have more

Ivan Chong, president of the Association of Accredited Advertising Agents says: "They grew up in a campaign society."

The main concern of agencies is that Singaporeans will suffer from "campaign fatigue" – already the government assigns most of the dozen or so current campaigns to specific months to avoid overlaps.

Some observers say that cosmopolitan, well-travelled young Singaporeans are less receptive to official browbeating than their elders and have even been known to mock government campaigns. "They are not all robots here," says one foreign businessman.

Tan, however, could be viewed as a walking advertisement for the Singaporean campaigns. Not only did he meet his wife through the official match-making service of the social development unit, but he also launched the National Punctuality Drive at his wedding. A few late-comers to the wedding were shown the extent of their misdemeanour the next morning when they discovered themselves pictured with superimposed clocks in the newspaper. "I was so worried that my relatives would scold me," he says.

Tan says the willingness of Singaporeans to respond to government campaigns is rooted in the belief that they inhabit a vulnerable, disparate nation of recent migrants surrounded by the large Moslem populations of Indonesia and Malaysia.

"We have a background where the people are told you're here as migrants and we either pull together or we get hanged together," he says. "It's against this sort of precondition that people can accept this sort of propaganda."

New universities educate their public

John Authers reports on the former polytechnics' efforts to establish a suitable and memorable image

Britain's old polytechnics have spent the past year grappling with an awkward task – establishing their new university brand image.

Marketeers have two problems. One is to imprint their new names, some of which have changed radically, on public consciousness. The other is to reverse the widespread perception that has existed for decades, that the old polytechnics were second-class institutions compared with universities.

Any such distinction is now officially at an end. Last year, the government removed the "binary divide" between universities and polytechnics, because it had been seen as redundant and a barrier to the expansion of higher education. The former polytechnics are now funded by and answerable to the government, rather than local authorities.

The evidence is that marketeers have done a good job: applications to new universities through the Polytechnics Central Admissions System rose by 5 per cent this year, in spite of a fall in the number of 18-year-olds.

But the methods used have varied widely.

De Montfort University – formerly Leicester Polytechnic – has been the most ambitious. It launched a £500,000 multi-media campaign earlier this month aimed at 18-year-olds, whose A-level results do not reach expectations and who will be looking for a place via the clearing system.

All the stops have been pulled out. Central to the campaign is a 30-second cinema and television commercial featuring a voice-over from Angus Deayton. It uses footage from Sir David Attenborough's BBC documentary "Trials of Life", which shows a nimble sealion shrugging off a killer whale attack. Computer graphics at the end of the commercial are provided by De Montfort's school of design and manufacture, and reinforce the message that to be nimble and ahead of the competition, like the sealion, you need a university degree.

The commercial is appearing on Channel 4 in two, four-week bursts, which started on August 9 and will run until mid-October. It is also appearing on 349 London area cinema screens and 209 Midlands screens. And a similarly aggressive newspaper campaign is in progress, targeted at broadsheets, with the slogan: "The Real World. Entry visas now available at De Montfort University."

DE MONTFORT UNIVERSITY

UNIVERSITY OF NORTH LONDON

UNIVERSITY OF TEESSIDE

The old polytechnics have traditionally taken most of their students from their locality, so De Montfort's national campaigns could be seen as first steps to cutting links with the local area.

Michael Brown, De Montfort's executive pro-vice-chancellor, said: "In market research we've found that the choice of university is very whimsical. The problem is that customers' perceptions lag behind. We are trying to find a professional way to challenge people's perceptions about what's on offer."

Marketing departments of other new universities are watching De Montfort's experiment with keen interest. While some say that this level of expenditure for marketing is beyond them, others are trying similar, less ambitious campaigns.

Teesside University's new image is centred around an ambitious logo, designed using the tangram pieces, which spell out the university's initials.

The logo has been designed by Bush Hollyhead, a freelance graphic designer. Ms Helen Pickering, Pro-Vice-Chancellor, said the design is intended to reflect the university's identity, "offering flexibility and modularity as well as quality".

Teesside has ensured that its new corporate identity is impressed hard on the educational community by running a series of advertisements featuring the logo on the front page of the Guardian.

In London, most of the new universities are content to reinforce their standing with traditional target groups. South Bank University – formerly South Bank Polytechnic – has opted to spend heavily on poster advertising in the London Underground.

In common with De Montfort's campaign, the message is aimed at name recognition, and propagating the benefits of a university education. There is little attempt to sell any benefits specific to South Bank. South Bank's marketing department says: "We have to be imaginative because we can't take for granted the fact that people will know about us."

This led to a cheeky poster campaign, where underground travellers see a big (though technically incorrect) slogan "We Can't Advertise", followed by more sober advertising copy in smaller letters apologising for not being able to explain that a South Bank degree would improve a candidate's chance in the job market.

The University of North London – formerly the Polytechnic of North London – has cut spending on advertising this year. Instead, it has chosen to enforce its new brand image on its local community.

UNL has several imposing modern buildings throughout the London boroughs of Camden and Islington. All now are "badged" with large versions of the university's new logo – a design of a welcoming figure with outstretched arms – and its new name.

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PUBLIC NOTICES

MMC INVITES EVIDENCE ON PROPOSED TRANSFER OF NEWSPAPERS: JOSEPH WOODHEAD & SONS LTD AND TRINITY INTERNATIONAL HOLDINGS PLC

The Monopolies and Mergers Commission would like to hear from any person with information or views on the proposed transfer of the local newspapers and related assets of Joseph Woodhead & Sons Ltd to Trinity International Holdings plc.

The Commission is required to investigate and report on whether any of the proposed transfers may be expected to operate against the public interest, and will be taking into account, in particular, the need for the accurate presentation of news and free expression of opinion.

The Commission would like evidence in writing by Tuesday 31 August 1993 to be sent to: The Reference Secretary (Woodhead Newspapers), Monopolies and Mergers Commission, New Court, 48 Carey Street, London WC2A 2JT. Quoting reference JWTI/FT.

LEGAL NOTICES

Advertisement of creditors' meeting under Section 48(2) Insolvency Act 1986
Company No 1977902
Registered in England and Wales
EXTRAFUTURE LIMITED
Notice is hereby given pursuant to Section 48(2) Insolvency Act 1986, that a meeting of the unsecured creditors of the above-named company will be held at the offices of: Coopers & Lybrand, Chartered Accountants, Orchard House, PO Box No 262, 10 Albion Place, Maidstone, Kent ME14 5DZ on 1 September 1993 at 10.30 am for purpose of having laid before it a copy of the report prepared by the Administration Receivers under Section 48 of the said Act. The meeting may, if it thinks fit, establish a committee to exercise the functions conferred on creditors' committees by or under the Act.
Creditors are only entitle to vote if:
(a) They have delivered to us at the address shown above, no later than noon on Tuesday 31st August 1993, written details of the debts they claim to be due to them from the company and the claim has been duly admitted under the provisions of Rule 3.11 Insolvency Rules 1986; and
(b) There has been lodged with us any proxy which the creditor intends to be used on his or her behalf.
Please note that the original proxy signed by or on behalf of the creditors must be lodged at the address mentioned; photocopies (including faxed copies) are not acceptable.
Signed: E M Shires
Joint Administrative Receiver
Dated: 13 August 1993

Notice of Appointment of Administrative Receivers
COVMAC FORGING MACHINES LIMITED
SAVILLE MACHINE TOOLS LIMITED
W E SYKES (HALIFAX) LIMITED
Registered No. 1677944, 1088139 and 2668754
Trading name: Covmac Forging Machines Limited, Saville Machine Tools Limited, W E Sykes (Halifax) Limited
Trade classification: 07. Name and address of joint administrative receivers: David John Stokes and David James Waterhouse, Coopers & Lybrand, 1 East Parade, Sheffield S1 2ET
Office holder numbers 2682 and 5732. Date of appointment: 6 August 1993. Name of appointer: Yorkshire Fund Managers Limited and Date of appointment: 9 August 1993
Name of appointer: Barclays Bank PLC
Signed: D. J. Stokes

COMPANY NOTICES

BRADFORD & BINGLEY

£100,000,000
Collared Floating Rate Notes Due 2003
In accordance with the terms and conditions of the Notes, the interest rate for the period 18th August, 1993 to 18th February, 1994 has been fixed at 7¼% per annum. The gross interest amount payable on 18th February, 1994 will be £36.60 per £1,000 nominal.
Agent Bank
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APPOINTMENTS ADVERTISING
appears every Wednesday & Thursday (UK) & Friday (Int'l)

PEOPLE

Doug Ritchie

Doug Ritchie, who as chairman and chief executive of British Alcan Aluminium was responsible for most of the UK's aluminium production, has died of cancer in Montreal at the age of 52.

Four years after Alcan of Canada bought British Aluminium for £30m in 1982 and merged it with its own UK operations, Ritchie was appointed chief executive with the task of turning what had been two domestic companies into one internationally competitive group.

He presided over a £300m investment and rationalisation programme which saw substantial cuts in capacity; the workforce was nearly halved but there were consequent huge productivity gains.

Ritchie was born in Ontario and attended McGill University where he was awarded a BSc and an MBA. He joined Alcan in 1966 as a sales supervisor in Toronto. He filled a variety of posts before emerging in 1985 as vice president of Alcan's primary and secondary metals group – giving him responsibility for all the group's North American aluminium smelting and sales activities.

In 1991 he became chairman of British Alcan as well as chief executive. At that time a reorganisation of Alcan's European operations put him in charge of all primary and secondary aluminium operations in Europe except for those related to rolled products.

He leaves a wife, Cydney, and three grown-up sons.

■ Roger Shute, the former chairman of the BM Group who quit last summer suffering from a respiratory illness, has taken on the temporary job of chief executive of The SCOTTISH HERITABLE TRUST, a small conglomerate based in York, while a replacement is being sought for the previous incumbent Stuart Macdonald.

■ Hamish Donaldson, the former Hill Samuel chief executive who quit two years ago after the bank made heavy losses, has been appointed non-executive chairman of GRESHAM TELECOMPUTING, the USM-quoted software and computer broking group, having joined the board only last month. He takes over from Sid Green who is splitting his role and remains chief executive.

This is turning out to be a year to remember for Chips Keswick, chairman of Hambros Bank. Knighted in the New Year, he then joined the illustrious group who are directors of the Bank of England – and now has topped all that by becoming a director of De Beers, the South African group which dominates the world diamond business.

As a regular visitor to South Africa, Sir Chips is well-known to the business community there and, more important, is well-known to Julian Ogilvie Thompson, chairman of both De Beers and its sister organisation, the Anglo American Corporation of South Africa. Rupert Hambro, a former chairman of Hambros Bank, has been a non-executive director of Anglo for more than ten years.

The connections between Hambros, De Beers and the diamond market go back many more years. The UK merchant bank is reputed to have provided a vital link between De Beers and the former Soviet Union in the days when international politics decreed there should be no formal relationship between them. According to trade sources, Hambros bought most of the Soviet rough (uncut) diamonds and made sure that most ended up safely with De Beers' cartel, which controls about 80 per cent of the market. After the collapse of the Soviet Union, there was no longer any need for this ruse and Russia quickly joined the cartel.

Hammerson slims down its board

Hammerson, the UK property company, yesterday announced the first of a number of measures designed to cut overheads and rationalise its management structure; they are being introduced by Ron Spinney, the company's new chief executive, who was appointed in April.

Jon Scott, the head of Hammerson's property management operation, has resigned from the board and left the company. John Richards will now be responsible for the UK operations which comprise its property management and development interests.

Bruce Heyland and Tony Ball have resigned from the board in order to devote their time more fully to operational responsibilities for overseas subsidiaries – in Canada and the US, and in Australasia, respectively. They have not been compensated for leaving the board.

Hammerson says these changes are "designed to provide a clearer division between group and operational management responsibilities". The group has also cut the number of head office staff from 67 to 57. The redundancies covered property, financial and communications staff.

Hammerson is one of the UK's strongest property companies having strengthened its balance sheet with a £199m rights issue in May. Pre-tax profits were £31.1m in 1992, down from £55.5m in 1991.

Mosaic adds another piece

Andrew Davison, a former managing director of County NatWest Ventures, is to take over the helm of Mosaic Investments, a troubled mini-conglomerate best known for handling the marketing rights to cartoon characters such as Roland Rat, Teenage Mutant Ninja Turtles, Tom and Jerry and Thunderbirds.

Davison, 50, will take over from Hugh Sykes, 60, the company doctor who was brought in last October shortly after Mosaic's shares had been suspended because it could not raise sufficient funds to redeem a preference share issue.

Mosaic had been an acquisitive glamour stock for a brief period during the 1980s, and its reputation was boosted by the fact that Tomkins chief executive Greg Hutchings was a big shareholder.

However, when the company ran into serious financial problems Hutchings, who took on the chairmanship briefly, turned to Sykes to sort out the company. Several poorly performing and loss-making businesses have been sold and the company has been refinanced. A £2m preference share issue will eliminate borrowings and leave it with net assets of £8.7m. The shares, which touched £5.15 at one stage, were suspended at 60p. They resumed trading seven months later at 19p and had recovered to 24p yesterday.

Having completed his company doctoring role, Sykes says that it is time to hand over to someone to take the company forward. Leon Angrave, Mosaic's managing director, resigned last week and it is expected that Davison's role will be a semi-executive one which will occupy a substantial proportion of his time.

Davison, who was found through headhunters, is a non-executive director of Pepe group, the international jeanswear group, and Holliday Chemical Holdings. After building County NatWest Ventures into one the biggest development capital companies in the UK, Davison spent four years heading Business Mortgages Trust, a listed bank, which he reorganised and sold to Nykredit, a Danish mortgage company, following a hostile bid from National Home Loans in 1989.

هكذا من الأصل

Carlos Gallardo in Robert Rodriguez's 'El Mariachi'

Cinema/Nigel Andrews

Judicious insanity

Hombres y mujeres, gather round the campfire. This week's story is "El Mariachi" and it is a cracker. Once in Mexico there was a handsome travelling guitarist, or *mariachi*-player, who carried his instrument inside a big black case. But one day a gangster's contract was put out on a fugitive killer carrying an arsenal of guns concealed in – yes! – a near-identical big black case.

You see the opportunities for comical-dramatical confusion? Simple but inspired. And imagine them enacted in a movie. Woofling-whistling music after Ennio Morricone; lunging visuals à la Sergio Leone; screen wide as a water-melon slice; a girl; a town; a lot of chases; a crowning gunfight.

Robert Rodriguez's *El Mariachi* touched its lighted cigar to festival fuses this year and blew several happy audiences, including mine at Berlin, right out of their seats. As often in cinema – see *Metropolis, Casablanca, L'Avventura, Airplane!* – the most ridiculous plots are the most inspired. Here we have mistaken identity to the power of infinity, as a simple mix-up between black-suited itinerants becomes something like a Feydeau farce played out in a Spaghetti Western set.

The timing does it. Who expects madness to be paced and choreographed like a ballet? But from the first moody swagger into the first wide-angle bar; from the first hair-raising zoom into the knuckle-cracking finger-flexing of a harmonica player; from the first stomach-lurching camera movement that challenges gravity and a heavy breakfast; from the first proof that the sultry heroine means sado-sexual business ("Sing!" she hisses to the hero, holding a knife to a sensitive body part as he sits in his bath); from the first striking of the villain's match on his henchman's chin stubble; from all this to the drop-dead grace and perfection of the showdown *El Mariachi* is as major a delight as a minor film can be.

Made in Mexico by a first-time American director on a joke budget ($7000), it shows what human enterprise can do when tinged with judicious insanity. (Rodriguez raised the money by hiring himself out as a guinea pig for a drugs trial. Young film-makers, do not practise this at home.) The movie has no content but more than enough style to make up the deficiency.

★

The Edinburgh Film Festival, just begun, boasts *El Mariachi* plus Derek Jarman's *Blue* (reviewed by me last week, announced for a London opening next week) plus a serviceable blend of the past year's festival successes and world or UK premieres.

These include Anthony Minghella's *Mr Wonderful*, John Sayles's *Passion Fish*, Ken Loach's *Raining Stones*, Andrew Birkin's *The Cement Garden* and the customary egg-and-spoon race between young unknowns for the prize of Best Young Film-Maker. The seniors mentioned have all produced modest work or work already noted at other cine-sprees, so let us forget about them until they reach public cinemas.

The youngsters, pitching apprentice shorts and non-features into the Edinburgh pot, are a more intriguing mix of the craftsmanlike-conventional with the wild and interesting.

Nicole Mitchell's *Spring Belle* (fly-on-wall fresco of a Sydney "Come Dancing" junket), Jon Camoy's *Dinner With Malibu* (teenage boy spies on Dad's girlfriends) and Don McKellar's *Blue* (no relation to Jarman's film, but starring rival movie-maker David Cronenberg as a porn-obsessed office boss) are wry short stories on film: teasers well-lensed if a little tame in their teasing.

Alexis Bisticas' *The Clearing* is stranger and more haunting: a camera's-view saunter through a woodland where nice and naughty actions are glimpsed and where a lonely saxophone sound leads on like Jack O' Lantern. Finally the camera does a cut and about-turn and we see and recognise the walker's famous face: that radiant, runic old phiz shining with secret knowledge and transcendent questions. (To identify, think of the person we've referred to most in these paragraphs).

But the best of the young movies is Dan Geva's *Jerusalem: Rhythms Of A Distant City*. This handheld portrait of a waking town – Geva's hungry, headlong camera devours everything from the morning's fresh loaves to the first wailers at Jerusalem's Wall – is a mini-tribute to Ruttman's classic documentary *Berlin, Symphony Of A City* and a knockout in its own right. Kinetic technique matches kinetic vision: a pantherish pantheism leaping on every detail small or large to celebrate the marvel of living and the even greater marvel (in a city) of living together.

★

Fifty years ago this week filming began on *Les Enfants Du Paradis*. Half a century later, we are still marvelling. Back in a new print is the film the French Academy once voted the country's best of all time: three hours of romance, epigram and superfine melodrama set among theatre folk in 19th century Paris. Lines crackle; faces glow or glower above the wing collars. Pierre Brasseur's leonine actor, Marcel Herrand's preening playwright/murderer, Jean-Louis Barrault's ice-featured mime (resembling Kenneth Williams re-sculpted by Bernini) and Arletty's beauty of the *boulevard du crime*, the melting-eyed Garance... Four-to-umpteen characters caught up in a time of French history as troubled as that in which the movie was made.

This may be the least filmic of all great films. Jacques Prévert's script, Marcel Carnés direction, Alexandre Trauner's sets, conjured from the moral and political rubble of Occupied France, are elegant, paperweight constructs that sheer will and passion seem to have made monumental. The truth-based main characters – only Garance had no historical forebear – step in and out of their professional fictions no less surreally, but far more magically, than A. Schwarzenegger did in *Last Action Hero*. And as in Olivier's almost-contemporary *Henry V*, theatre is both matrix and metaphor for the dramatic switchbackings that flow from it. A wonder; and at 50 younger than ever.

★

The rest of the week consists of a bad spoof and a worse skin-flick. *Hot Shots! Part Deux* is a worthy sequel to *Hot Shots! Part Un*: 90 minutes of legalised gag starvation with Charlie Sheen as our gung-ho hero, here changed from trainee top-gunner to Rambo clone. He sports Stallone-style hair and Stallone-style muscles. (Do these Hollywood stars go to a gym or plug themselves into a giant bicycle pump?). And he has an urge to topple Saddam Hussein (Jerry Haleva).

Saddam, of course, steals the show. Lighting his cigar with a desktop oil derrick, hand-hoovering crumbs from his silk pajama trousers, raiding his fridge for Camel Milk or Yankee Dog Burgers, he is a pantomime villain turned politically-incorrect pratfaller. He is also the only funny thing for miles around. Elsewhere, the jokes drop like stones; and the long, middle, Saddamless section could be laughed at only by paid hyenas trained by 20th Century Fox. I thought I heard some of these at the Press show.

Lake Consequence is funnier, though not by intention. From the stable of executive producer Zalman King (*9½ Weeks, Full Moon Junction*) comes another high-faluting essay in soft porn, this one telling the story of the Housewife (Joan Severance) and the Tree-prumer (Billy Zane). She fancies him; he fancies her; off she goes, accidentally abducted when his trailer moves off with her still in it.

They end up in Lake Consequence, wherever that is. Lots of Jacuzzis. Lots of percussion and snare-drums on the sound-track. (It sounds like a blue movie filmed at the Peking Opera). And lots of Mount Rushmore-style sex, where giant close-ups mean you cannot tell a nose from a thigh-bone, a pair of breasts from a full moon junction. To enhance vision (if you could possibly be interested), take a pair of binoculars and stare through the wrong end.

EL MARIACHI (15)
Robert Rodriguez

EDINBURGH FIM FESTIVAL: BEST YOUNG FILM-MAKERS

LES ENFANTS DU PARADIS (PG)
Marcel Carné

HOT SHOTS! PART DEUX (12)
Jim Abrahams

LAKE CONSEQUENCE (18)
Rafael Eisenman

The Edinburgh Festival

Mark Morris: Love Song Waltzes

Alastair Macaulay explains why Morris is the most musical of choreographers

So what if Edinburgh's Playhouse Theatre had a fire that has stopped the Mark Morris Dance Group appearing there this year? The company has simply transferred to the Meadowbank Stadium. The stage is large, the audience shows a certain Dunkirk spirit in overcoming the auditorium's inconveniences, and the final ovation is warmly enthusiastic. (Seating is unreserved, so arrive 30 minutes early, and avoid the poor sightlines of rows 3-10 of the front stalls.)

This is Morris's second Edinburgh Festival, and there are plans next year to show his greatest work of all, the Handel *L'Allegro, il Penseroso ed il Moderato*, when the Empire Theatre reopens. There are several reasons why he is a perfect Festival artist, and the most important reason why he is perfect for a festival as musical as Brian McMaster's Edinburgh is that his dances are supported by some of our most world-class musicians.

Morris is the most musical choreographer alive, and he is like Balanchine, the greatest of all choreographers, in that he puts on shows where, if you don't enjoy what you see, you can just close your eyes and listen to the music. For his two danced sets of Brahms love-song waltzes, the excellent company pianist Linda Dowdell is joined by Malcolm Martineau, and by a vocal quartet all the more interesting (and Mark-Morris-like) because made up of four dissimilar personalities: Amanda Roocroft's creamy, under-enouncing, warm soprano; Felicity Palmer's urgent, cutting mezzo; John Mark Ainsley's fastidiously elegant, youthful tenor; Thomas Allen's clouded, moving, experienced baritone.

But watching helps you hear. Brahms's *liebeslieder walzer* are so easy on the ear that it is easy to miss the pictures of love's mixed pains and joys they tell – but Morris's dances plunge you right back into the billows of sexual desire, confusion, tenderness, fulfilment. His vision is modern, barefoot, and bisexual; and, in the *New Love Song Waltzes* (Brahms's op. 65, chor. 1982), he deconstructs it to the extent of having no waltzes and and no duets. This is post-1960s love, and yet the dances are classical in that they link back the "democratic" un-virtuosic dance style of the 1960s experimentalists, by way of Isadora Duncan's natural movement, through to the chain dances of the Greeks.

New Love Song Waltzes is among the most loveable dances Morris has ever made, and the way it catches sexual love passing around a whole community makes it a classic. *Love Song Waltzes* (op. 52, chor. 1989) has less sex and less emotional abandon, but it is an even more lucid response to its music – and a remarkably serious portrait of a community dealing with love in our time. There are fleeting portraits of despair, consolation, ardour amid a group, but Morris's vision here is remarkably clear-eyed and controlled. By the time he made this set of love-song waltzes, Aids has cast its shadow over the world. Love Song Waltzes" is not about Aids, but it shows love and community under that shadow.

Morris's gift for helping you hear music is most obvious, and wonderful, in his 1993 realisations of two string quartets by Henry Cowell, *Mosaic and United*. This is the kind of musical modernism that, though very eloquently expounded here by the Emperor Quartet, might well bother a large audience – but Morris's choreography draws you deep into its structures and its mysteries. London saw this work finely danced a few months ago by the White Oak group (including Baryshnikov); Morris's five dancers, however, are greater masters of phrasing and contrasting dynamics, and so they reveal their music in greater depth.

The choreography of *Mosaic and United* is highly economical, composed (like the two Brahms sets, and so much of Morris's work) mainly of a few motifs. How in this case Morris chose motifs so different and so satisfying is his secret. The most memorable is a huge, slow arc that each dancer traces with one arm, in which the whole upper body opens and expands; and this is contrasted with a sharp lift of the heels while the dancers close their flexed arms before their faces. Either move is in the modernist, abstract spirit of the music; but the contrast is more musical yet, and helps to open up atmospheres in the score.

This first Morris programme also has a world premiere, *A Spell*, set to four Shakespeare songs by the Jacobean composer John Wilson (sung, rather faintly, by Christopher Robson, with beautiful lute playing bu Tom Finucane). It is a daffy, camp joke in which Morris transcends camp and finally wipes the laughter off his audience's faces. He himself, dressed as Cupid (with wings), unites and blesses two lovers (Ruth Davidson and Guillermo Resto). It is deliberately ridiculous, and yet, even in his opening dance, Morris marvellously contrasts his own broad scale of motion with voluptuous delicacy of detail; he is the least embarrassed man you ever saw onstage. And the lovers' story moves through cartoon mime to become serious, and poignant.

You watch Morris's dances, and finally – though everything about his work is accessible – you are encompassed by mystery. How does he makes his modern visions so musically satisfying? How does he make his men and women, with their different builds and colours and hairstyles, into an utterly harmonious view of the world? How does he catch an audience so frequently between laughter and seriousness, between bright and dark emotion? The mystery, and the pleasure, grows with every performance of his work I see.

At the Meadowbank Stadium; Programme One until Thursday 19. Programme Two August 21-23

Anne Evans makes debut recital

After three encores at the end of her Queen's Hall recital, the soprano Anne Evans held up her hand to stop the audience asking for more. "You'll have to excuse me, as this is my first recital. Ever. You've heard it *all*." Since Evans has been singing for 25-odd years, this is a surprise; but this was an accomplished debut in the form. And how smart of Brian McMaster to ask her just now, while her Isolde has been making recent news, and to present her as the opening recitalist.

Evans takes her place on the recital platform with simple dignity. One admires, as one seldom can with a Wagnerian soprano, her wrists, her ankles. Principally, however, the eye settles on her erect carriage and the striking bone structure of her face. From seeing her, it is hard to believe that she has already had a long career.

Or from hearing her. Evans's voice has real bloom, and this is surely what has made her valued in the dramatic repertory. Where others are beefy or clarion or steely or bovine, she has fragrance. Combine that with power and commitment, and you have something rare. Her fare consisted of Berg's Seven Early Songs, Schumann's *Frauenliebe und-leben*, and Wagner's Wesendonck Lieder. When she greets spring in Wolf's "Er ist's" (her first encore), everything is in harmony. She is equally eloquent in revealing her late husband's sleep of death in the Schumann, and in the softly ascents of anguished desire in Wagner's "Im Treibhaus".

But Evans is not consistently eloquent, and the basic musicianship that gives her so sure a sense of the shape of each song has a few faults. The vowels and consonants (however clearly delivered) are not naturally married; and she is seldom free in most open "e" vowel sounds. Her conception of legato is also imperfect. Very often she "pings" into a new note, and then adds vibrato (a) to hoist it up into tune (b) to swell its volume. The impulse that shapes each note overrules the impulse that links the notes into a phrase.

When a phrase or a song works for Evans, these flaws vanish, and her voice is completely focused in its utterance. Elsewhere, her sound is lovely enough to please an audience; she is intelligently involved in words even when she does not communicate them effectively. But she is still an immature artist. Perhaps the new challenge of the recital platform is what she needs.

Alastair Macaulay

New opera: 'Anna'/ 'Tourist Variations'

Noble intentions, dire results. To keep opera alive there is a continual need for new works and in the last few years both the Royal Opera and English National Opera have set up studios, where composers can watch their operatic young struggling to take their first painful steps.

With noble commitment the Edinburgh Festival has now undertaken at least a single exercise of a similar kind, acting jointly as midwife with the Traverse Theatre. On Tuesday they presented two operatic premieres. The Traverse ambitiously chose two of Scotland's leading young composers and two equivalent dramatists to produce a pair of small-scale operas. Noble aims indeed – but the offspring should have been smothered at birth.

Marginally the better of the two was *Anna*, words by John Clifford, music by Craig Armstrong. A woman is dissatisfied with her life. Unabashed at boring all around her with her troubles, she indulges in long periods of emotional navel-gazing with four characters called North, South, East and West. By the time one of them declares, "Who are you? The self you've never known!", it is clear that whichever point of the compass she heads for, she will end up in pseuds' corner.

The music manages to build up some feeling of world-weariness as poor Anna trudges the streets in despair, but Armstrong falls back far too easily on repetitive minimalist note-spinning to accompany the long passages of moralising. Pamela Helen Stephen, an involving singer, did her best to make the hour bearable.

The other piece was *Tourist Variations*, a two-handed conversation piece about tourism and the meaning of life. This sort of comedy where the most banal statements are supposed to roll wit, satire, and cosmic relevance into one is difficult to bring off, though Poulenc tried. The ingenuity to keep it going for an hour would stretch the most brilliant minds and proved way beyond Iain Heggie (words) and James MacMillan (music). Their package deal was a one-way ticket to tedium. Eirian Davies and Alasdair Elliott were the hard-working singers.

★

In the morning there had been a recital of the latter composer's chamber music at the Queen's Hall. James MacMillan is the special focus for new music at this year's festival. Widely recognised as the front-runner among young Scottish composers, publicly acclaimed by audiences at the Proms, he is both an obvious and an enterprising choice for an Edinburgh retrospective.

The recital was of early pieces. From the beginning MacMillan at his best has been a distinctive voice, rhythmical, pungent, able to hit upon snappy memorable ideas which are repeated for a minute or two, before he moves on. Works such as the Piano Sonata probe darker feelings. It is interesting to hear that his style, shorn of its vitality and unpredictability for *Tourist Variations*, can be made to sound like Sondheim – but not encouraging. There is more MacMillan next week.

Richard Fairman

Chamber concert sponsored by Scottish Power

INTERNATIONAL ARTS GUIDE

■ EDINBURGH

CONCERTS
Week two of the festival brings the Oslo Philharmonic under Jansons and the Philharmonia under Slatkin, plus recitals by Thomas Hampson, Yuri Bashmet and Carmina Quartet. In the final week (Aug 29-Sep 4), recitalists include Felicity Lott, Dawn Upshaw and Anne Sofie von Otter. Carlo Rizzi conducts Verdi's Requiem, and there are concerts by the South West German Radio Orchestra under Gielen, the Leipzig Gewandhaus with Masur and the Royal Liverpool Philharmonic with Pesek. The festival also includes a survey of the work of young Scottish composer James MacMillan.

OPERA
The coming week offers concert performances of two rarities - Janacek's Sarka and Verdi's Oberto, the latter conducted by Edward Downes. Canadian Opera Company gives its European debut with a Bartok and Schoenberg double-bill on Aug 28 and 29, and Welsh National Opera brings Peter Stein's acclaimed production of Verdi's Falstaff on Sep 2 and 4.

THEATRE
There is still a chance to catch Peter Sellars' modern Aeschylus production at the Lyceum before it closes on Sat. Berlin's Hebbel Theater brings the Bob Wilson/ Gertrude Stein theatre piece Dr Faustus Lights the Lights (Aug 25-28). The final week has Peter Stein's 1992 Salzburg Festival production of Shakespeare's Julius Caesar, and a Glasgow Citizens' production of Jacob Lenz's The Soldiers, designed and directed by Philip Prowse. For those wanting a stronger Scottish flavour, try Tag Theatre Company's stage adaptation of Lewis Grassic Gibbon's trilogy A Scots Quair, a classic of Scottish literature.

DANCE
There are only two guest ensembles this year. After its success at the 1992 festival, Mark Morris Dance Group returns for a residency at the Playhouse Theatre (till Aug 23). The Bill T. Jones troupe visits the King's on Aug 28 and 29.
● Official Festival: telephone bookings 031-225 5756, 24-hour information service within UK 0891-600 304. Military Tattoo: 031-225 1188. Fringe: 031-226 5257.

■ LUCERNE

This year's programme focuses on anniversary celebrations of Tchaikovsky and Rakhmaninov, with Alfred Schnittke as the festival's first-ever composer in residence. The city theatre is laying on a Schnittke ballet evening, the composer's wife Irina is taking part in one of the chamber music events, and Christian Tetzlaff and Heinrich Schiff will play the Concerto grosso No 2 for violin and cello. Visitors from Russia include the St Petersburg Capella Choir and Orchestra, the Russian National Orchestra with Mikhail Pletnev and the Bolshoy Opera Orchestra and Chorus with concert performances of Tchaikovsky's Yolanta and Eugene Onegin. Most tastes are well catered for, with concerts by the Taverner Consort and Choir under Andrew Parrott, recitals by Radu Lupu and the Tokyo Quartet, and a succession of big orchestral events featuring the Berlin, Vienna and Oslo Philharmonics, with Abbado, Barenboim and Jansons. For anyone wanting a break from the music, there are paddle steamers on the lake, trips up the Pilatus and Rigi mountains, and visits to the Transport Museum and Lion Monument. Ends Sep 8 (041-235272)

■ MONTREUX

This year's festival, opening tomorrow, is the first to take advantage of Montreux's new lakeside concert hall, the Auditorium Stravinsky. Montreux has never been known for its thematic content, but this year features a series of recitals devoted to French chamber music, including rare works by Reynaldo Hahn, Vincent d'Indy and Charles-Valentin Alkan. The line-up of artists includes Alicia de Larrocha, Barbara Hendricks and Pinchas Zukerman, plus the Royal Concertgebouw, the St Petersburg Philharmonic and Bavarian Radio Symphony Orchestras. Ends Sep 24 (021-963 5450)

■ PICARDIE

The fine collection of cathedrals and châteaux in the region around Amiens north-east of Paris provides the context for two weeks of concerts from Sep 10 to 25. Hungarian music and musicians are strongly represented this year: the Children's Chorus of Hungarian Radio gives three concerts featuring music by Liszt, Kodaly and Bartok, while the Hungarian State Symphony Orchestra and Erkel Chamber Orchestra include works by Leo Weiner and Liszt in their programmes. Yuri Bashmet gives a recital and Philippe Herreweghe conducts Collegium Vocale in Monteverdi's Vespers (0546 3185)

■ SALZBURG

The final new production is Lucio Silla (first night Aug 25), conducted by Sylvain Cambreling and staged by Peter Mussbach, with a cast led by Ann Murray and Luba Orgonasova. There are also three more performances of Herbert Wernicke's new staging of Monteverdi's L'Orfeo, conducted by René Jacobs, with a cast led by Laurence Dale. Revivals include Falstaff (Solti/Ronconi, with José van Dam) and Die Zauberflöte (Haitink/Schaaf, with Anton Scharinger and Ruth Ziesak). The concert programme is dominated by Claudio Abbado, who conducts the Vienna Philharmonic Orchestra this weekend (with piano soloist Murray Perahia), and two different programmes next weekend with the Berlin Philharmonic (piano soloist Evgeny Kissin). Next week the VPO gives two Mozart concerts with Yehudi Menuhin, and Alfred Brendel plays the Schoenberg Piano Concerto with the South West German Radio Orchestra under Michael Gielen. The closing concerts on Aug 30 and 31 are conducted by James Levine. There are also recitals by Samuel Ramey and Maurizio Pollini (0662-844501)

■ STRESA

Situated on the shore of Lake Maggiore in northern Italy, Stresa offers some high-quality artists with no particular programme theme. This year's festival opens on Aug 29 with a Tchaikovsky programme played by the Royal Philharmonic Orchestra under Yehudi Menuhin. Riccardo Muti conducts the Scala Orchestra in works by Brahms, Busoni and Ravel on Sep 2, and Claudio Scimone directs I Solisti Veneti on Sep 13. There are also recitals by Tokyo Quartet, Wanderer Trio and Lazar Berman. The closing concert on Sep 16 is given by the Orchestre National de Lyon conducted by Emmanuel Krivine, with violin soloist Viktoria Mullova (Settimane Musicali di Stresa, Palazzo dei Congressi, Via R. Bonghi 4, 28049 Stresa. Tel 0323-31095 Fax 0323-32561)

■ TANGLEWOOD

For more than 50 years, the Boston Symphony Orchestra's summer home has provided a relaxed setting for concerts in the heart of the Massachusetts countryside. Tomorrow: Simon Rattle conducts works by Mozart, Brahms and Elgar, with piano soloist Emanuel Ax (preceded by a recital of Beethoven violin sonatas by Malcolm Lowe and Christoph Eschenbach). Sat: Eschenbach conducts Verdi, Barber and Dvorak, with violin soloist Gil Shaham. Sun afternoon: Eschenbach is conductor and pianist is an all-Mozart programme. Next week's concerts are conducted by Marek Janowski and John Williams, and there is a recital featuring Yo Yo Ma and Peter Serkin. After the concert series ends on Aug 31, there will be jazz concerts featuring Count Basie Orchestra, Ramsey Lewis and Tony Bennett (Ticketmaster Boston 617-931 2000 New York City 212-307 7171)

■ VERONA

Martha Senn and Elena Zaremba alternate in the title role of Carmen, which runs till Aug 29. Adriana Morelli and Maria Spacagna alternate as Violetta in La traviata (till Aug 30), and Aida has a cast led by Maria Dragoni, Kristian Johansson, Dolora Zajick and Paolo Gavanelli (till Aug 27). There are performances of Khachaturian's ballet Spartacus, choreographed by Yuri Grigorovich, on Aug 24, 26 and 31 (Booking by telephone or in person: Arcovoli 8-9 dell'Arena tel 045-596517 fax 045 801 3287)

ARTS GUIDE

Monday: Performing arts guide city by city.
Tuesday: Performing arts guide city by city.
Wednesday: Festivals Guide.
Thursday: Festivals Guide.
Friday: Exhibitions Guide.

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Saturday Super Channel: Financial Times Reports 0930
Sky News: West of Moscow 1130; 2230
Sunday Super Channel: West of Moscow 1830
Super Channel: Financial Times Reports 1900
Sky News: West of Moscow 0230; 0530
Sky News: Financial Times Reports 1330; 2030

More than a trifle pleased with himself

BOOK REVIEW

TELL THEM I'M ON MY WAY
By Arnold Goodman
Chapmans, £20, 464 pages

There is plainly much to be said for Lord Goodman, even *if he says a lot* of it himself. At the age of 80, he has chosen *to tell all, or at* least part, of his remarkable life story. "Remarkable" is his word, not *mine. He had a* "remarkable" mother and a "remarkable" grandfather and the adjective is spread liberally throughout the book.

The slightly conceited title, Tell Them I'm On My Way, reads like an advance warning to the spirits that he is looking forward to even higher things in another place. Wherever he goes, he is sure to meet a pile of close friends, most of them described as the best practitioner of this, that or the other of their generation.

Not that Goodman has done badly on earth. As he states early on: "I have gravitated to *almost every unpaid chairman*ship in England at one time or another." Arts Council, Newspaper Publishers' Association, *the Housing Corporation and* the Royal Opera House – Goodman had a hand in them all, usually at the top.

Note the use of the word "unpaid". The author says that he realised as a young man the conflict between "those activities which one enjoyed, either for themselves or because of a sense of virtue, and other activities which one needed to do to keep alive: ie, to earn money from them". Goodman drew a sharp distinction between them. *As a solicitor* he made enough money to enable him to be employed in public life for nothing. "I have always pursued the no doubt slightly sanctimonious attitude," he writes, "of refusing to be paid for public service."

Yet there must have been more to Goodman than that. Why was it that so many people in public positions turned to him for advice?

Partly he was lucky in his early contacts. Everywhere he went he seemed to meet somebody who could help him. Lloyd George enters on page 3. *Unfortunately Goodman was* too young to be introduced, but he did know Edward Heath's father long before most people had heard of the young Teddy. *He was put off economics at* University College London, but by no less a person than Hugh Gaitskell, who taught him for a term. *In the war he met George* Wigg who urged him to be a Labour candidate in the 1945 general election. The seat in mind was *Tory-held* and, Goodman thought, likely to remain so. In the event it went Labour. Goodman reflects that history might have been changed if he had stood.

One contact led to another. Although he never joined the Labour party, and sometimes did not even vote for it, Goodman notes that almost all his political connections were on the left. When Harold Wilson became prime minister in 1964, it crossed Goodman's mind that he might be offered a job.

It came slightly later when he was made chairman of the Arts Council, but he was also *an unofficial adviser to Wilson,* summoned whenever the prime minister wanted. Other tasks followed, notably sounding out Ian Smith on a Rhodesian settlement. Goodman thinks that if he had accompanied Wilson to the Fearless talks in 1968, a settlement might have been reached.

By then, he was sometimes known as the Blessed Arnold. His role in government continued in the Heath period when he still sought a Rhodesian deal. Wilson had made him a peer; Heath made him a Companion of Honour. He met the Queen alone, "a tremendous privilege", writes Goodman, "compared with lining up with hundreds of others to receive some trivial award like a knighthood".

Still, it is with the early Wilson years that he will be most associated. His contacts were useful, he was discreet and he was undoubtedly a clever lawyer. Although it may seem an inappropriate metaphor for a *man so physically* large, he worked like a rugby centre three-quarter, spotting a gap and going for it fast. He was a lawyer who preferred *to settle* out of court.

The newspaper world, development of commercial *television and showbusiness helped,* since all involved legal work. Goodman says he never looked back after advising Associated *Newspapers in 1954 how to* mount the Ideal Home Exhibition with a lower tax bill.

Good fortune and good con*tacts dogged him for the rest of* his life. In the mid-1970s, when he was less active in politics, he was offered the Mastership *of University College Oxford* despite remembering only one visit to Oxford in his life and never having previously dined at High Table at either Oxford or Cambridge. Naturally he accepted. He said he wanted little to do with fund raising, but then found it quite easy to raise £300,000 for the college by a single letter. Other letters followed. Only Armand Hammer turned him down.

The book contains big gaps. Goodman claims that the English legal system, with its division between solicitors and barristers, is "demented", but he has not been prominent in *seeking to reform it. He is* unduly complacent about the law of libel, out of which professionally he has not done badly. *His foreign travel is* limited, his interest in economics non-existent, and he does not say much about the changing state of Britain over time.

He professes a great love of theatre and music; the evidence here is confined to name-dropping and fund-raising. He is also capable of great contempt (though not, of course, in *the legal sense)* of the Foreign Office in particular, the civil service in general, of Harold Wilson's other cronies, sometimes of Wilson himself, and of practically every member of the Tory party since 1979, though he is careful not to be too rude about Lady Thatcher. His political hero, kept to the end for the encomium, was *Harold Macmillan.*

In short, Lord Goodman seems a trifle pleased with himself. No intelligent man, especially a lawyer, should write, as he does: "I believe fervently." One may hope fer*vently; belief is a different* matter.

Malcolm Rutherford

Economic Viewpoint

Taxman – stay thy grasping hand

By Samuel Brittan

If there is one figure about the British economy which every schoolboy knows, it is that the public sector expects to borrow £50bn in 1993-94. Since the start of the financial year there have been good and bad months; and the new estimate of £46bn of the National Institute of Economic and Social Research lies within the same ballpark.

Bill Robinson, former special adviser to Norman Lamont, the ex-chancellor, has explained, in a fascinating series of articles in the FT, the origins of the *deficit problem;* but I am much less sure of his conclusion that tax rates need to be raised further and interest rates reduced.

We may have to come round to this combination if other countries cut interest rates so much that sterling threatens to *rise to uncompetitive levels.* This has not happened yet; and sterling has retained some four-fifths of its effective devaluation since its departure from the exchange rate mechanism last September. There was never a realistic chance of retaining the whole of it indefinitely anyway.

But as the new August NIESR Review points out, the independent fiscal case for tax increases has been much exaggerated. It is almost forgotten that Mr Lamont has already left behind some £10bn of tax increases, nearly all of them to be phased in over the next two *financial years. The NIESR* assumes for forecasting purposes that the chancellor announces another £2½bn of tax increases in his November Budget to show he is taking the fiscal balance seriously.

It is human nature to project the present indefinitely, and to disbelieve that the public sector borrowing requirement will ever come down without drastic hair-shirt measures.

The NIESR does not dispute that the present level of the PSBR, which corresponds to 7 per cent of gross domestic product, is unsustainably high. The main NIESR point, however, is that on the basis of tax and spending measures already taken or announced, the PSBR will fall sharply and "stabilise at below 2¼ per cent of GDP towards the end of the decade". Most of the improvement is expected in the next couple of years. Whatever financial and economic writers may say, the financial markets, judging by the rise in gilts, do not share the scepticism of these commentators.

According to the last Budget Red Book, taxes (including National Insurance Contributions) are expected to climb from a recession low of 34¼ per cent of GDP this year to 37 per cent in 1997-98. This would not be quite as high as the 38 per cent reached in the mid-1980s; but it would be much higher *than anything achieved, except* fleetingly, under any previous government, Labour or Conservative. There was no such rise in the tax-take during recovery periods in earlier cycles.

On this basis the public sector debt ratio (gross debt as a proportion of GDP), should stabilise around next year at a little below 50 per cent of GDP. *This ratio, which is sometimes* called the solvency ratio, is within the Maastricht guidelines, comparable to that of the early 1980s and much lower than anything experienced in earlier decades. Do we then *really need to ratchet up the* tax-take even further? The moral I draw is the need to stick to present plans against pressures from the spending lobbies rather than for draconian new measures out of a misplaced desire for the government to show "leadership".

The NIESR Review contains *an analysis by Nigel Pain and* others, which represents a more sophisticated attempt to put UK public sector borrowing into perspective than any I have yet seen. One of the most interesting of his charts compares the PSBR with the net capital spending of the public sector (net of receipts, not net of depreciation). In every year *until 1991 the PSBR was less* than net capital outlays, as the new current and capital breakdown promised for the next Budget will doubtless confirm. So the public sector obeyed what is sometimes called the *'golden rule': only borrow to* finance capital outlays.

Admittedly the present borrowing requirement of 7 per cent of GDP is now so high that the 'golden rule' has been well broken. But on NIESR projections it will be observed again from about 1995 onwards.

Of course, if even the modest recovery now generally foreseen fails to take place, all bets are off and that includes all golden rules. The main aim of policy would then be to get the economy back on something as near to a normal growth trend as possible; and monetary and fiscal policy would have to be subordinated to that end.

The most uncomfortable aspect of the public finances in the NIESR analysis is shown by yet another ratio: that of public sector debt to public sector capital, which the authors call "gearing". This is expected *to level off in the mid-1990s at* a higher level than it has been at any time since the 1960s. The change reflects mostly developments on the assets side, such as the fall in value of North Sea reserves, privatisation and council house sales.

If one tries to work with too many ratios at the same time, however, the result will be giddiness. It is best to concentrate on the PSBR ratio and the solvency ratio. The high gearing of the public sector should be taken as a hint to improve the public sector's balance when an opportunity occurs rather than as an imperative for immediate action.

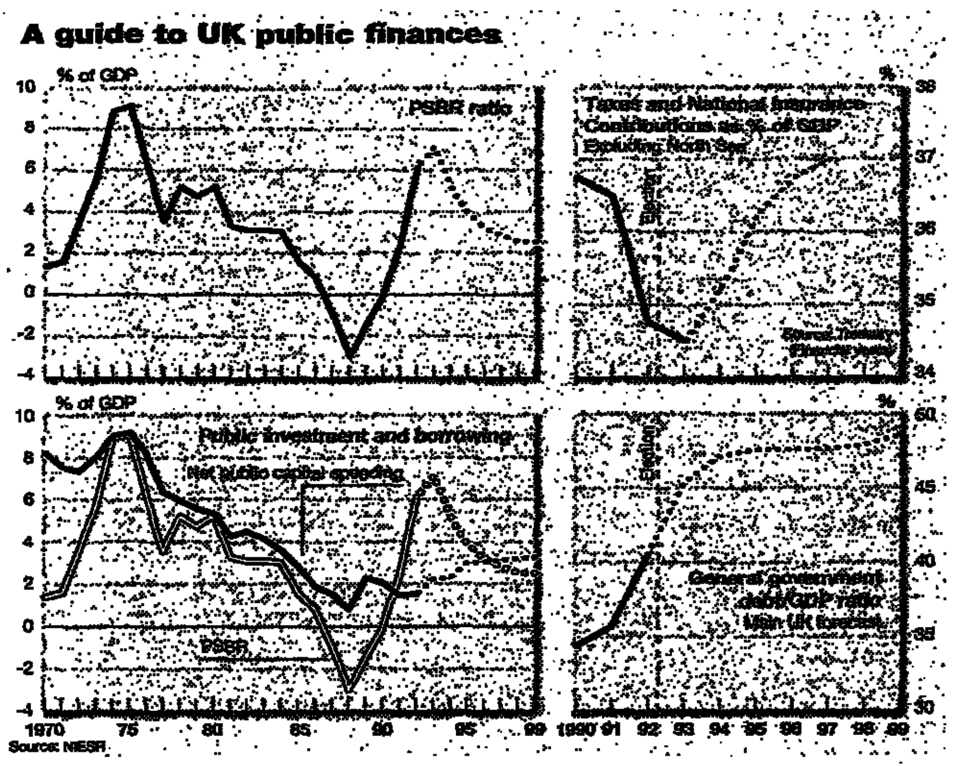
Admittedly, the advocate of fiscal stringency can point not only to the gearing ratio, but also to the uncertainty of all PSBR projections and, above all, the lack of any room for absorbing a shock, as arguments for the chancellor to have a margin in hand.

One opposing argument is that the recovery is not yet *so certain* and so strong that the government can take risks with measures which reduce taxpayers' spending power. The *Institute for* Fiscal Studies has estimated that measures already announced in the last Budget will cost householders some 2 per cent of annual income by the time they are fully implemented in 1995. The measures have probably been already taken into rough account in people's spending plans. To go beyond these would risk denting confidence at a sensitive time; and it would be folly to reckon in advance on offsetting fiscal tightening *by monetary* relaxation or sterling falling.

Moreover, the most widely canvassed tax increases, in value added and other consumer taxes, would have a knock-on effect on the headline inflation rate – which will in in any case be tending to rise in the coming months and thus risk destroying the new, and *still very fragile, non-inflation*ary psychology.

But above all, the reason why I would part company from many in the economic fraternity is the relentless rise in the tax-take in successive decades from the 1950s onwards. The 1980s were the first decade in which this ratio stabilised, although it did not decline. *It would be better to* wait for an opportunity to act on the public spending side in the review now taking place for the later years of the decade, rather than rush into ill-considered tax increases *which may have adverse sup*ply side effects, nonetheless real even though difficult to quantify in forecasting models.

A guide to UK public finances



Source: NIESR

LETTERS TO THE EDITOR

Number One Southwark Bridge, London SE1 9HL
Fax 071 873 5938. Letters transmitted should be clearly typed and not hand written. Please set fax for finest resolution

Making UK industries world class needs regular investment

From Mr Mark H J Radcliffe.

Sir, It is encouraging at last to read an article by an economist in your paper that recognises that manufacturing industry has to expand again ("Painful adjustments", by Bill Robinson, August 17).

However, Mr Robinson believes that businessmen find *it difficult to understand* that when oil runs down, the exchange rate weakens, and manufacturing industry expands again.

Their concern – not lack of understanding – is based simply on the fact that, once you have destroyed skills, plants and subcontractors, and lost key research and development facilities and international distribution networks, it takes years to rebuild them and regain market share against competitors who may have maintained investment over a decade.

The UK has some of the best companies and products in the *world, but on average there is* still a sizeable gap between the us and our best international competitors (the US and Japan).

Recent endeavours to improve competitiveness have been extremely encouraging (productivity up 10 per cent over a decade, and 8 per cent in the last year). However, a solid manufacturing base with its supporting services able to compete with the best in the world will only happen with sustainable investment and continuous improvement year after year, and decade after decade.

That is what the Treasury *and economists need to believe* and understand, if we want wealth and employment for the community.

Mark H J Radcliffe,
CBI national manufacturing council,
Centre Point,
103 New Oxford Street,
London WC1A 1DU

Currency deals should be put in writing

From Mr Peter McGregor.

Sir, A good way to reduce the malign influence of currency speculators would be to insist that all transactions should be in writing (or confirmed in writing) in order to form a contract. Electronic transmission would be acceptable. It would then be possible *to require a delay of, say, three* days in clearing all transactions, as the banks find it "necessary" to do with cheques in order to persuade their clients to use debit cards.

Peter McGregor,
Dacre Cottage,
Longworth,
Oxfordshire OX13 5HH

Smoking cannot be called just a European habit

From Dr R M Davis.

Sir, Why are Americans such as Dr M Singer (Letters, August 17) now complaining because Europeans enjoy smoking tobacco, arguably the only pleasure America has ever given the world?

R M Davis,
7 Glen Road,
Westcliffe-on-Sea,
Essex SS0 6AW

From Ms Eileen O'Connor.

Sir, An anecdote springs to mind in response to Dr M Singer's letter.

A colleague of mine was in the US for a series of meetings this summer. A native of Spain, he is very much a smoker. As we sat in a conference room waiting, he looked around for an ash tray. He did not find one and asked me about it.

I pointed to a sign on the wall that said: "Smoking in this room will only be permitted once a consensus has been reached by all present."

I guess that's the democratic "No smoking" sign of the 1990s, although it seems slightly out of place in a country that distributes free needles to drug addicts. And for the record, I too am a non-smoker.

Eileen M O'Connor,
20 Edgewood Road,
Glen Ridge,
New Jersey,
US

From J G de Vos.

Sir, As we largely have the American GIs and their Lucky Strikes to thank for the pleasure of widespread smoking in Europe in the first place, surely Dr M Singer should exercise a little caution before criticising our habits.

J G de Vos,
Drentestraat 19,
1083 HK Amsterdam,
Netherlands

The best of the worst in English

From Mr Colin Cooper.

Sir, Further to James Morgan's amusing article "As they say in Europe: English like it should be spoke" (August 14/15), within one hour recently I heard on the BBC: "Most women should be able to breast feed themselves", and "The prisoner was sentenced to three years in Reading High Court".

Humour in errors? There must be hundreds of similarly amusing grammatical errors – how about publishing the best submitted?

Colin Cooper,
The Old Tannery,
Donnington Village,
Newbury,
Berkshire RG13 2JT

Monetary union possible now Maastricht is dead

From Prof Willem H Buiter.

Sir, The ratification by the UK of the Maastricht treaty is a prime example of political necrophilia. In substance, the treaty is dead.

The world has been reminded forcefully of the incompatibility of (quasi-) fixed exchange rates, independent national monetary policies and unrestricted international mobility of financial capital. *However, the current alterna*tive of a (quasi-) free float, independent national monetary policies and unrestricted capi*tal mobility,* while *feasible,* is bound to lead to unattractive behaviour of exchange rates and interest rates.

We should expect to see, once again, exchange rate overshooting, excess volatility and persistent misalignment. Foreign exchange markets are inhabited by nervous, myopic, private-sector herd animals, economically illiterate politicians and wide-eyed innocents masquerading as central bankers and monetary technocrats. How these players are driven matters little if no two experts agree on what the fundamentals are or how they affect exchange rates.

Regardless of the exchange rate regime, the basic incompatibility and tension is between multiple currencies and independent national monetary policies on the one hand, and unrestricted capital mobility on the other. If we are to have unrestricted capital mobility, we need a single monetary authority and preferably a single currency. If national currencies and independent national monetary policies are retained, restrictions on international capital movements are essential.

Since effective capital controls are hard to administer – and are inconsistent with single market legislation – we are likely to see a continuing exchange rate mess until a common European currency finally is established.

The mechanics of monetary union are actually very simple; *the principal point is* that it should come like a thief in the night. We will wake up and discover that independent central banks have been abolished (after fixing exchange rates for ever) and that currency control has been transferred to the European central bank. This could happen as early as the second half of the next decade.

It is fortunate that *the pro*cess of European integration is strong enough to survive one bad treaty.

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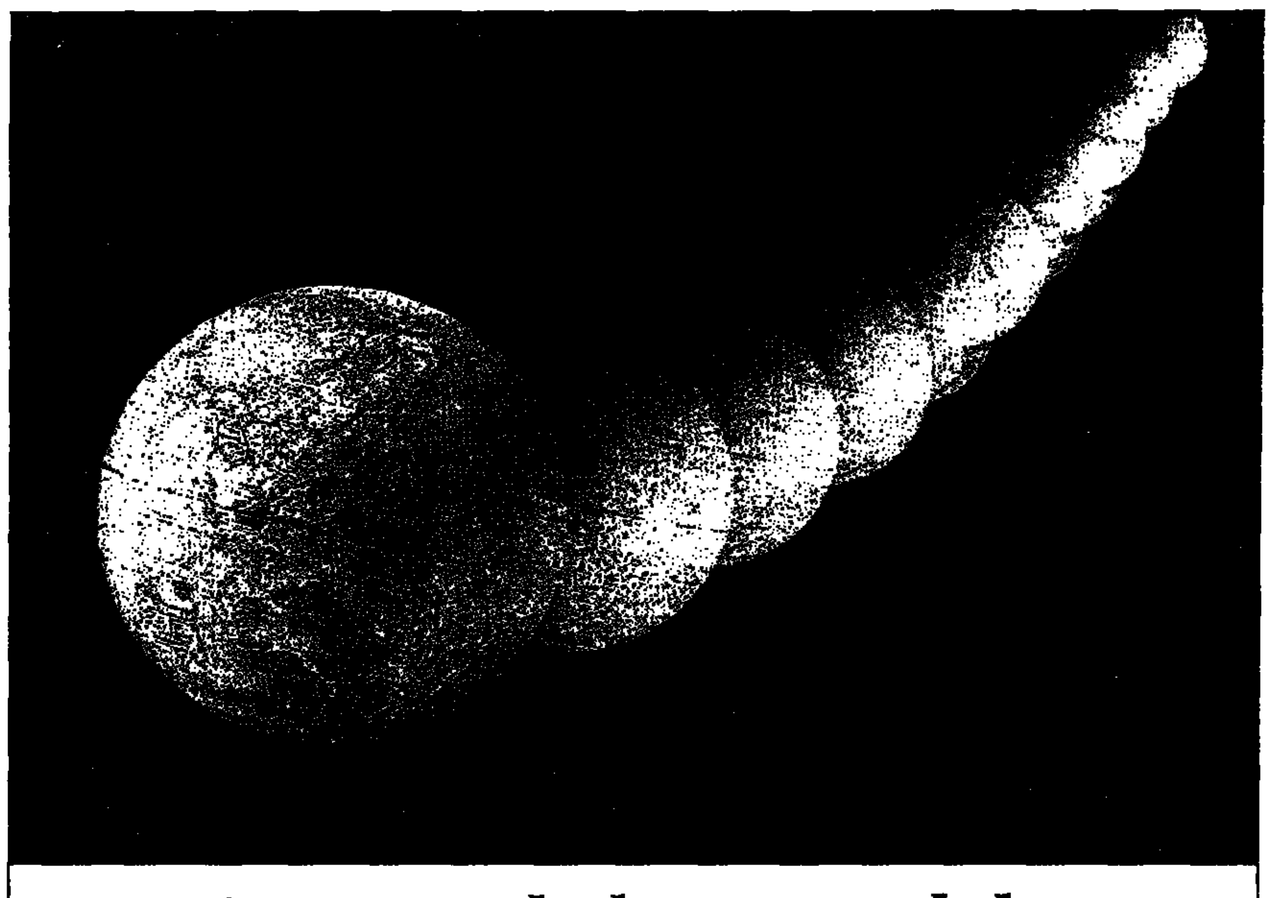

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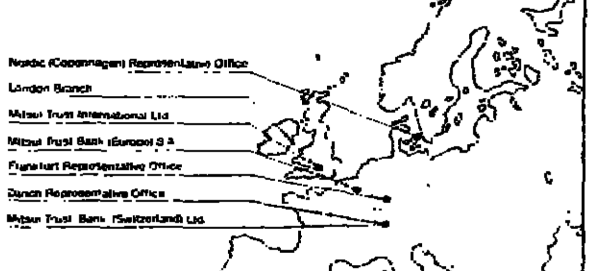

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FINANCIAL TIMES

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Thursday August 19 1993

Valuing the environment

PUTTING VALUES on the environment tends to be controversial. Many non-economists find it offensive, feeling that clean air and water, rainforests and whales are priceless. This position is absurd. The exercise of working out what we are prepared to pay or forego to preserve the environment is necessary. It is necessary if public debate is to be informed. It is necessary if governments are to weigh up the cost of cleaning up the environment against the benefits. It is also necessary if economically efficient policies are to be adopted.

What is more, attributing values often helps rather than hinders the environmental cause. Discharging pollution into the atmosphere or the oceans often appears free, for example, because there is no market in these "goods". They are "externalities", consequences not taken into account by decision makers. As a result, environmental resources tend to be overused, which is why environmentalists should welcome serious attempts at costing the earth.

Misleading terminology has been responsible for much opposition to environmental valuation. The exercise is one of putting values on people's preferences for preserving the environment, not searching for values intrinsic to the natural world itself.

People's desire

The value of protecting the environment can be derived partly from the use people actually make of resources and the damage that, say, global warming would do to crop yields. The valuation is also likely to include an "existence" portion, which represents people's desire for the trees or the whales to be there, even if they do not make direct use of them. Preservation of the Grand Canyon ranks high in US studies of such preferences, for example, even though many citizens never visit it.

An "option" value for the potential use of some resources may also be included: people hope that tropical jungles may eventually yield new medicines. The derivation of such values is inevitably rough and ready. It is far better, however, to be roughly right, by making these calculations, than precisely wrong, by ignoring the need to do so.

The OECD reported last year that governments of its member countries were increasingly using such techniques in policymaking. But with the exception of the US's Environmental Protection Agency, adoption of such analysis has been patchy and tentative.

OECD reports detect a "credibility problem" and attribute it to two unsolved controversies. The first is how future costs and benefits should be discounted because they do not occur for many years.

Future generations

Many environmentalists oppose the notion of discounting, on the grounds that it under-represents the interests of future generations who must, for example, pay for decommissioning nuclear power stations. But that argument ignores the opportunity cost of the investment, which could be spent on research, education or infrastructure – a clean environment is only one of many benefits handed on to future generations.

Present modes of analysis also do not take adequate account of uncertainty. Scientists disagree, for example, about the likelihood and the extent of global warming. Nor do these methods reflect people's tolerance for higher risks where they have some control, such as driving a car, than where they have none, such as from a nuclear power station.

Those points need clearer treatment. So do even more ambitious plans for environmental valuation, such as bringing "green" values into the national accounts to reflect gains or losses to a country's "environmental capital".

Despite those unsettled questions, economic analysis can help clarify which policies should be followed. Economic instruments, such as taxes and permits for pollution, can then bring the costs of cleaning up the environment into the open, whereas regulation tends to leave them hidden. But neither solves the political problem of enforcing the best policies if they prove unpopular – as the energy taxes proposed by the US, UK and European Community are proving. If the analysis is carried out systematically, however, governments cannot claim ignorance of what they are sacrificing.

This is the third of a series of leaders on environmental issues

Beefing up the SIB

IN THE regulation of retail financial services, Britain's Securities and Investments Board (SIB) has been given a clear and demanding blueprint, courtesy of the Treasury, on where to go next. Yet in the wider securities area there is considerable discontent over the workings of the 1986 Financial Services Act, without any general agreement on the remedies that are needed to address the flaws in the system exposed by Polly Peck, Blue Arrow, Guinness and others. Some clues as to the likely evolution of the regulatory structure are nonetheless beginning to emerge, notably from the stock exchange and the SIB itself. They involve a degree of centralisation, based on an enlarged role for the SIB, that may well ruffle the odd feather in the City and Whitehall.

The first plank in the argument for an enlarged role for the SIB is that surveillance of market malpractice is hobbled from the outset if it is carried out by different agencies. The initial steps towards countering many forms of market malpractice, for example, lie in identifying suspicious trading patterns. But different regulators are monitoring trading information across a range of markets open to the insider dealer, including formal derivative markets such as LIFFE, over-the-counter markets, so-called non-markets such as Reuters' Instinet dealing system, as well as the stock exchange itself. In that fragmented market environment, a centralised approach to monitoring data, supplemented by whatever additional information is available under existing international agreements, would clearly be more effective.

Investigatory process

Equally compelling is the case for a more coherent investigatory process. In most insider dealing cases, the initial work is undertaken by the stock exchange. Evidence is then passed on to the Department of Trade and Industry, which in turn makes a decision on whether to shunt the paper in the direction of the Crown Prosecution Service. Small wonder that so many probes into suspicious trading activity before takeover bids start with a bang and end in a whimper. In the absence of a single authority with responsibility for seeing the investigation through from beginning to end, impetus is lost.

Investigations are not helped by the fact that the powers of the stock exchange to interrogate and demand documents are inadequate, especially in relation to people outside the financial services sector. Those of the DTI, meantime, are extensive but expensive. While the powers and resources to address wrongdoing exist, they are unevenly distributed around the system.

Prosecution powers

The final area in which both the SIB and stock exchange share common ground relates to prosecution. Here the range of options are too narrowly polarised between the regulatory sanctions available to the SIB and the self regulatory bodies (SROs), and the criminal law. The SIB is already moving further into the middle ground by preparing to deploy the hitherto unused sanction in Section 59 of the Financial Services Act, which permits it to disqualify people from the financial services industry. Yet it could also be argued that the protracted proceedings and unsatisfactory outcomes in the Guinness and Blue Arrow affairs might well have been avoided if there had been an alternative to blanket resort to criminal law, with its onerous requirements in relation to proof.

It is striking that one of the main differences between the US Securities & Exchange Commission and the SIB lies in the ability of the US agency to mount civil actions. The question is whether some form of US-style plea bargaining could provide a filtering mechanism to ensure that only those misdeeds with a strong chance of resulting in successful prosecution find their way into the criminal courts. A wider range of civil options might then be made available to the SIB.

Expanding the powers of the SIB in this way would make for more effective enforcement. But there are questions of cost. Fewer headlines about botched prosecutions involving City institutions might, at a pinch, be an acceptable trade-off to practitioners. The more important question, to which time alone holds the answer, is whether an enlarged SIB would deliver on its promise to perform.

Mobiles break into the big time

Can cellular communications replace traditional networks, ask Andrew Adonis and Nikki Tait

American Telephone and Telegraph's $12bn-plus merger with McCaw Cellular Communications is the biggest takeover in telecommunications history. It is also likely to be the biggest challenge in AT&T's history.

Nobody doubts that Mr Robert Allen, AT&T's naturally cautious chairman, is right to see mobile communications as "absolutely central" to his industry's future. The question is: how central and how soon?

It is tempting to look back for inspiration. Early railways provided local connections to canals; the first car buyers in the US were farmers shifting their produce to rail. As for the telephone, it was seen originally as an access system for the telegraph. Western Union, the world's largest telegraph service, spurned the offer to buy Alexander Graham Bell's telephone patents for $100,000, and rued the day ever after.

As Mr Robin Meakin, mobile communications analyst at CIT Research, the London-based consultancy, puts it: "In cellular communications, we have seen many of the same arguments about technological redundancy rehearsed, and many of the same business plans discussed."

The analogies apply up to a point. It is no coincidence that few of the more imaginative and aggressive marketers of mobile communications have been the traditional fixed-wire operators. McCaw, for all its financial vicissitudes, was a trailblazer in the US; companies such as Vodafone, Mannesmann and Hutchison were prime movers in Europe.

It is also true that the technology is now at hand for cellular communications to compete head-to-head with fixed-wire companies for the first time. New digital cellular networks currently coming on stream in the US and Europe are enhancing capacity and quality. The regulatory and competitive structure is in place too: rival companies are licensed across the US, and most European governments have licensed – or soon will – competing operators to provide a digital service to the pan-European GSM standard.

Even where telecommunications operators still have a legal monopoly, efforts are being made to give mobile services a separate, competing identity. Belgacom, the Belgium monopoly, last month hived off its unit to build a digital GSM network into a separate division, and invited Pacific Telesis (Pactel), the US operator, to join as a 25 per cent strategic partner.

By the same token, in the US the "Baby Bell" regional companies believe the McCaw takeover is a regressive step. They have responded angrily, arguing that the move will allow AT&T to re-enter the local market from which it was evicted at the break-up of the old Bell company in 1984. Pactel, a Baby Bell which is also one of the top five US cellular operators, yesterday reportedly claimed: "AT&T is going to roll over everybody on the highway; it is on an orgy of reintegration."

The reality is unlikely to be as simple as that. For the foreseeable future, cellular and other wire-less technology will complement, not replace, the fixed wire. It is not another railway displacing the canal – a mode of transport which had virtually no advantage, or potential for development, over the steam engine on tracks. It is more like the car, the train and the aeroplane coexisting in tension – the three appealing to distinct, but related and overlapping markets, each developing new strengths.

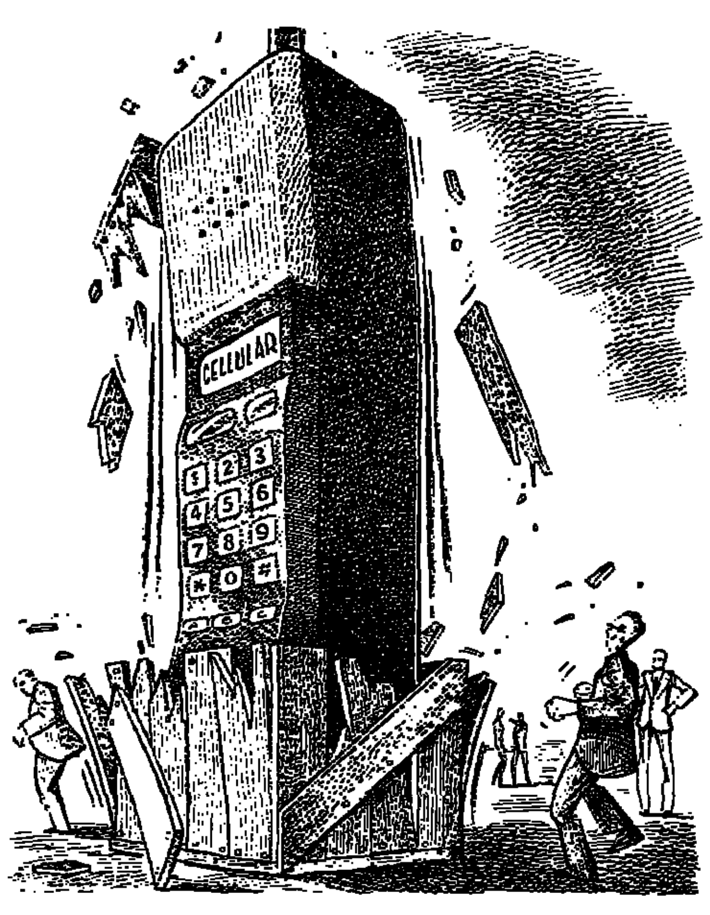
The fixed-wire has two key, continuing strengths. It is far cheaper than wire-less technologies yet developed. And what it loses in mobility it gains in capacity.

Prices are still going up in parts of the cellular industry. Handsets for digital cellular services are at least double the price of their analogue counterparts – and 10 or more times the cost of fixed-wire handsets.

As for call tariffs, serious competition has only recently begun to bring down cellular prices significantly. As it does so, fixed-wire tariffs are falling sharply. In the UK, the imminent launch of Mercury's PCN "One-2-One" network is pushing Vodafone and Cellnet to cut tariffs. But standard business tariffs for the London area are still double or more BT's peak rate tariff; and for most calls made in the afternoon the premium is far higher.

In the US, charges are generally lower, although they vary greatly between the 700-plus cellular operating regions. To take Southwestern Bell in Dallas, the basic package comes at 38 cents a minute for the first 200 minutes after a $49.95 access charge. The local peak call rate on the fixed network is 24 cents a minute, which Southwestern cannot beat even for its heaviest users.

While price competitive wire-less local networks are some way off, the introduction of fibre into the "fixed" local network is set to bring a wide range of broadband, multimedia services to businesses and households that mobile systems will be unable to match. Vice-President Al Gore's "super highway" is already under construction: in the US and much of Europe, even many medium-sized businesses now have their own fibre connections, and the laying of fibre across local exchanges is not far off.



Discarding simplistic notions of wireless networks "replacing" the fixed wire does not, however, dampen mobile's prospects. Rather, it highlights the importance of the industry developing new markets and innovative relationships between different, complementary technologies.

The room for complementary growth remains vast. Since 1984 the US market has grown from about 1m to 12m subscribers. The Cellular Telecommunications Industry Association estimates that the top 11 US cellular providers added 627,580 subscribers in the first quarter of 1993, compared with 481,670 in the same period of 1992, and there is no sign of growth tailing off.

Europe now has more than 6m subscribers – double the tally three years ago. In the UK alone, Vodafone and Cellnet have added more than 250,000 customers so far this year.

All the signs are that the industry is starting to penetrate the mass consumer market. A detailed analysis of the US subscriber base by Economic and Management Consultants International, a Washington-based group, suggests that personal use of cellular phones rivalled business use by the end of 1992, and is now growing far more quickly. EMCI's five-year projections for the US cellular subscriber market give 14.4m subscribers by the end of this year, 17.7m by the end of 1995 and 25m by the end of 1996.

Such projections are necessarily little more than "guesstimates", given the data from which they project. And the scare about possible brain cancer links to mobile phone use which swept the US earlier this year underlines the youth of the industry and its susceptibility to swipes from unexpected directions. But the trend is unmistakable.

What does this mean for AT&T's $12bn gamble? First, upward curves are not enough. The trends, and McCaw's existing capacity to exploit them, are more than reflected in the purchase price, so sitting on the wave will not yield much of a real return. AT&T may fashion a new key to unlock the market faster. For instance, a report last year by the General Accounting Office, the investigative arm of Congress, concluded that the current duopoly arrangement in place in most areas was "unlikely to provide a product at a competitively set price". The field is open for someone to prove it wrong.

However, the greatest challenge and opportunity for AT&T is to exploit wire-less services as an extension of its existing portfolio. As Mr Meakin of CIT puts it: "In future, real commercial success will lie in providing as many types of local access technologies as possible – in being a truly technology-independent local access provider."

AT&T has two clear qualifications for achieving that goal. Its existing marketing and research strength – the Bell laboratories invented cellular in the first place – make it well-placed to integrate wire-less with its other services, offering businesses and consumers single billing arrangements, personal numbering, attractive "one-stop" packages including mobile and fixed-link long-distance facilities, and so on.

Second, lacking a local network, AT&T will be largely unconstrained by the fear of competing against itself in developing the local market. Whatever the reality, that fear has proved a notable constraint for many operators.

There is, however, a critical assumption behind the latter point: that the existing regulatory structure which bans the Baby Bells from fixed-link long-distance operations and AT&T from local networks stays intact. The structure, established in 1984, is under fierce assault, and AT&T's McCaw deal is another hammer blow. If the edifice crumbles and a free-for-all is the result, today's map will be no guide to the future.

Wind power is uneconomic, environmentally intrusive and unnecessary, argues David Lascelles

An ill wind of change

Earlier this month Mr John Gummer, the UK environment secretary, overturned the decision of a local council in Cornwall, south-west England, and authorised the construction of a wind farm at Four Burrows near Truro.

Many people will support his action. Mr Gummer can override local opposition to projects of national interest if he wants to, and wind power has clearly won a place in this government's, if not the nation's, heart.

But this is rather disturbing. It is not the first time that a UK secretary of state has pushed through a wind farm against the wishes of people who have to live nearby. In fact, it is the fourth. In addition, two more projects have been referred to Mr Gummer, and a further six are on appeal after having been turned down by local councils.

Why is wind power being thrust upon the country in this way when it is uneconomic, environmentally intrusive and, worse still, quite unnecessary?

I must disclose an interest. I spend a lot of time in the Duddon estuary in south Cumbria where Mr Michael Heseltine, an earlier environment secretary, bulldozed through another wind farm a couple of years ago. Two wind farms now mar this beautiful stretch of countryside on the borders of the Lake District, producing electricity which the country does not need.

I have learnt in the course of many conversations about wind farms that this is not a subject for rational discourse. People either feel good about them because they are clean and green, or they object to the way they spoil the landscape. The economic case seldom comes into it.

I don't want to waste time attacking the visual aspects of wind farms because I accept that some people see beauty in clusters of 100-foot white propellers twirling in the wind. Nor will I dwell on noise objections because the evidence is clearly mixed. But I do want to question the commercial case, on several grounds.

The first is cost. What few people realise is that wind power technology is a very long way from commercial operation. It costs as much as 12p to produce a kilowatt hour of wind power compared to the 2.5p-3p that electricity fetches on the UK wholesale market, and the 8p that households pay for it. The difference has to be made up through a special levy on customers' bills. This is not itemised so most people do not even realise that they are paying it. To date, wind power has received some £5m in customer subsidies, and this is due to be increased as the next round of subsidised projects is approved.

The government is exploiting ignorance about the true cost of wind power to strengthen its own green credentials

The second is that Britain has an abundance of power generation capacity, and the last thing it needs is additional uneconomic plant. Capacity currently exceeds demand by about 30 per cent, which is one reason why coal miners are being thrown out of work.

The third is that wind does not supply predictable amounts of power when we need it. It is subject to the vagaries of the weather: it cannot be switched on at 5pm to cook the evening meal, yet if a gale blows at 4am, the power it generates is wasted.

The fourth is that Britain is unusually well endowed with fuel sources (coal, oil, gas, nuclear, hydro), so there is no case for arguing that wind power is necessary for a diversity of supply.

The last is that even if it is wise on environmental or other grounds to explore alternative energy sources, the fact is that wind can only make a tiny contribution. According to the government's advisory group on alternative energy, wind could supply a maximum 10 per cent of the country's needs. But to achieve this we would have to build 38,000 windmills on 4,000 square kilometers of land, and transform all our exposed hillsides into whirligigs.

We should be clear why the government is trying to push through such a nonsensical plan. It is not out of any belief in its commercial value, because there is none. It cannot be in furtherance of a utopian vision of a land free of fuel-burning power stations, because that will never happen. It is not even in support of British technology, since most of the equipment used is imported.

The truth is that the government is exploiting widespread ignorance about the true cost and potential of wind power to strengthen its own rather doubtful green credentials. It is managing to get away with it because the debate about wind power is so soggy.

All of which is very bizarre for a government so strongly committed to the free market and the elimination of subsidy. If British Coal is being forced to lop off an arm and a limb to stay alive, why are we handing wind power a crutch?

OBSERVER

Developing speculation

■ Now that the Bank of France governor Jacques de Larosière has secured the presidency of the European Bank for Reconstruction and Development, the rumour-mongers are turning their attention to a much bigger subject – the presidency of the World Bank, the grandaddy of the development banking world.

The speculation has been prompted by concern about the health of former J P Morgan boss Lewis Preston, 67, who moved to the World Bank a couple of years ago. He is still expected to return after convalescing from coronary bypass surgery. But this has not stopped much tongue-wagging about who might get the job if it was up for grabs again.

Though it may seem odd, tradition has it that the job goes to an American. Preston was appointed by a Republican president, so Clinton would probably want a Democrat in place.

The favourite on the Washington cocktail party circuit is Paul Volcker, the former Federal Reserve chairman. He is two years younger than Preston and was in the running last time. The downside is that he is probably nowhere near as rich as Preston, so might not be willing to take a pay cut in order to serve his country yet again.

A couple of other names being bandied around are Lazard Frères' Felix Rohatyn and Robert Rubin, director of the White House economic council. Both are old Wall Street hands and know their way around the capital markets, if not the developing world.

However, ex-President Jimmy Carter's name has also been mentioned. He is a Democrat and has taken a strong interest in development issues since he left the White House. But he turns 69 in October. A more enterprising suggestion is that General Colin Powell, who is about to retire as chairman of the US Joint Chiefs of Staff, might be the man to attack the World Bank's management structure. After all, he has already run the Pentagon, possibly the only organisation with a bureaucracy more Byzantine than the World Bank's. And thanks to Jacques Attali's brief time at the EBRD, the job is now much better paid.

Sound advice

■ Whatever else one might think about Lord Goodman, Britain's best known solicitor, it should never be said that he doesn't give value for money.

Tucked away in his memoirs (reviewed on the opposite page) is an anecdote about one of the three Boulting brothers, better known as Peter Cotes. Lord Goodman recounts how Cotes went to see him in 1952 to complain about being offered a meagre £100 to direct a play in the West End which he said was bound to flop. The alternative was to accept 1½ per cent of the box-office takings. Even in your impoverished state, advised Goodman, £100 is no great sum of money. It would be better to take a sporting risk on the box office.

The play is still running and is called The Mousetrap.

'It's not our company policy to supply smokers'

Tyresome

■ Good news and bad news for Mercedes and Toyota drivers. According to the RAC's experts, called by 99,298 people who lost their car keys last year, the S Class Mercedes and Toyota Lexus were the most difficult to break into.

Slightly exasperated proof of this fact is Alan Marsh, Inchcape director and chairman of Lexus UK to boot. Although the Japanese manufacturer had thoughtfully provided him with three sets of keys, Marsh managed to lock himself out of his car at Birmingham Airport.

He called the RAC, which in turn called out a local specialist locksmith. Despite having watched a confidential training video on how to enter the Lexus, he gave up after three hours of fruitless struggle leaving Marsh with the onerous task of convincing the local Lexus agent that he was indeed the rightful owner.

Duty free

■ Having done his bit to help sort out the Gatt chaos, Arthur Dunkel could have been expected to put his expertise to good use on the boards of one or two companies in his native Switzerland.

But it seems that he did the Gatt members a bigger favour than they probably realise by agreeing to extend his term by an extra six months while they searched for his successor. The big Swiss companies hold their AGMs – at which new board members are approved – in the first half of the year.

So Dunkel, who made way for Peter Sutherland at the end of June, may have to kill time before he can join SMH, maker of the Swatch – one of several companies said to be keen to have him on board. In the meantime, he is keeping his hand in lecturing at Geneva University and chairing the School of Arts in Lausanne.

Over and over

■ As the English cricket team makes a final attempt at the Oval today to recover some credibility after its dismal test series, some of Australia's more abrasive supporters are flaunting their latest fashion accessory – a T-shirt.

Referring to the second test in a more select part of London, the front of the shirt asks: "Who took four wickets at Lords?"

On the back – "England".

Criminal

■ The unseemly row between the British and Norwegian environment ministers, sparked off by Thorbjoern Berntsen's unfortunate outburst, reminded a reader in Warsaw of an old joke about a man who received 25 years' imprisonment for describing the first secretary of the Communist party as an "uneducated psychopath" – five years for slandering a high state official, and 20 years for revealing state secrets.

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FINANCIAL TIMES
Thursday August 19 1993

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Bank's governor says mechanism for recovery in place
No early cut in Japanese rates

By Michiyo Nakamoto in Tokyo

THE Bank of Japan has no immediate plans to cut the official discount rate in spite of the yen's sharp rise against the dollar and a sagging domestic economy.

"The mechanism for economic recovery is in place," Mr Yasushi Mieno, the bank's governor, said yesterday. The bank did not believe the economy had hit bottom yet, but neither did it see any grounds to change its view that it would pick up in the second half of the year.

While consumer spending and private capital investment remained sluggish, there had been recent progress in stock adjustment and fiscal and monetary measures were providing the fundamental conditions for recovery, he said.

Mr Mieno's remarks came amid widespread expectations of an easing of monetary policy to stimulate Japan's still weak domestic economy and to help curb the recent sharp rise of the yen.

The currency's movement has been largely attributed to a view in the markets that the US sees a higher yen as a means of reducing Japan's trade surplus.

The yen took a breather yesterday, trading in a narrow range between Y101.32 and Y101.7 against the dollar, as market traders awaited further developments. Its future movements will depend largely on what, if any, measures the Japanese government comes up with at the emergency meeting of ministers today to address the country's high surplus.

Businesses and economists have been calling for a substantial reduction in the discount rate to help business and to stimulate the economy, while sending a clear sign to the currency markets that Japan is serious about tackling its huge trade surplus.

Although Mr Mieno said the current speed of the yen's rise was "excessive" and would have an adverse effect on Japan's economy, he believed the best way to tackle the surplus was to get the economy back on the road to growth by taking dramatic steps to open and deregulate Japan's markets.

Deregulation – which the coalition government is keen to promote – was important not just to help imports enter the country but to increase investment in Japan, he said.

Yen's rise likely to speed deregulation, Page 3

Big job cuts for Kodak

Continued from Page 1

and sales, advertising, distribution, and administration, and pursuing opportunities to turn assets into cash".

Mr Whitmore did not elaborate on potential asset sales. He said the measures should allow the company to generate cash flow - profits after tax and interest, but with depreciation added back - of $2.8bn between the beginning of 1993 and the end of 1995.

Cash flow should reach $700m in 1993, $1bn in 1994 and $1.1bn in 1995. The 1993 figure will include a contribution from the large Eastman Chemical unit which Kodak has already said will be spun off, but the 1994 and 1995 estimates exclude any Eastman Chemical profit.

The estimated cash flow over the three years, said Mr Whitmore, should be "nearly three times the cash flow from continuing operations we would have generated if we had continued without any adjustment".

Yesterday, Kodak said independent directors – who include Mr Roberto Goizueta, chairman of Coca-Cola, and Mr John Phelan, former head of the New York Stock Exchange – were "pleased with some of the elements" of Mr Whitmore's proposed restructuring.

But it also acknowledged that the "complete" restructuring plan would need to be discussed with Mr Whitmore's successor.

The job cuts will certainly mean bad news for Rochester, New York - a company town near Lake Ontario.

On Wall Street, Kodak – which stood at $55¾ ahead of Mr Whitmore's ousting – gained another $5⅝ to $61⅛ yesterday.

China shifts focus to inland economic development zones

By Tony Walker in Beijing

CHINA has launched a drive to promote economic development zones in its inland regions to narrow the gap between the struggling hinterland and relatively prosperous coastal areas.

Mr Liu Peiqiang, a senior official of China's state council, or cabinet, said the government aimed to provide an economic boost for areas that had lagged behind the south and other regions in the scramble for investment.

The authorities recently clamped down on the unrestrained spread of development zones in coastal regions in an effort to re-direct investment.

The widening income gap between coastal and inland areas has begun to cause political problems. It has also resulted in a mass migration of people from the hinterland to areas of opportunity, especially in southern China where the economic boom has been most pronounced.

The state council has approved 30 development zones but provincial and local governments have sought to develop thousands of such areas in a scramble for investment. The authorities in Beijing have disallowed most of these proposed zones in a nationwide clampdown.

"An excessive euphoria over the development zones has swept the nation since last year, which prompts the current rectification campaign," Mr Liu said.

He said provincial capitals would be favoured for new development zones, whose purpose is to attract foreign investment in processing and high-technology industries by offering generous tax concessions.

This year China has opened 11 development zones along the Yangtze river, and also in the north-east near the cities of Changchun, Harbin and Shenyang.

● South Korea yesterday began work on a $30m industrial park near the city of Tianjin, 130km east of Beijing. It will be the South Korean government's largest investment in China since diplomatic relations were established last year.

Two-way trade is expected to reach $13bn, making China South Korea's third largest trade partner.

UN plan for Sarajevo agreed

By Laura Silber in Geneva and Gillian Tett in London

THE three sides in the Bosnian peace talks yesterday appeared to have agreed on the detail of the future United Nations administration of Sarajevo, removing one of the obstacles to a broader settlement of the 17-month war.

Under the agreement the Bosnian capital will be demilitarised and run for up to two years by a UN administrator appointed by Mr Boutros Boutros Ghali, the UN secretary general.

The administrator will be advised by a body comprised of four Moslems, three Serbs, two Croats and one representative of the district's minorities, probably Jewish.

Sarajevo will be empowered with governmental functions and will be separate from the three ethnic republics.

Mr Radovan Karadzic, the Bosnian Serb leader, said: "They have agreed to postpone a solution on Sarajevo for two years and in the interim the capital will be administered by the UN."

Mr John Mills, peace talks spokesman, said the agreement was reached after "exhaustive" discussions on a draft plan, first presented to the three sides by Lord Owen and Mr Thorvald Stoltenberg, international mediators, earlier this week.

However, peace talks officials said the agreement on Sarajevo would form part of a wider accord on the future ethnic devision of Bosnia, suggesting that implementation of the agreement was unlikely to be rapid.

With many UN officials privately admitting they remain uncertain how the UN administration would work in practice, it seems likely that the agreement would require consideration by the UN security council before it could take effect.

The external and internal borders of Sarajevo are likely to present a huge obstacle in carrying out the agreement, not least because it appears to suggest that borders can be changed on the basis of contradictory criteria.

Meanwhile, renewed fighting in central Bosnia and around the southern city of Mostar, continued to undermine the peace talks. UN officials warned that without immediate aid the city's estimated 35,000 inhabitants of Mostar could soon run out of food and water.

Bundesbank says monetary union on course

Continued from Page 1

nomic policy hyper-activity, nor aim at gaining short-term competitive advantages, the preconditions for exchange rate stability remain in place.

"By the latest monetary policy measures, the authorities have succeeded in preserving in principle the rules of the EMS. Owing to the greater flexibility in the operation of these rules, potential tensions have been lessened at the same time, and thus a major contribution has been made to containing intervention volumes."

The analysis of the ERM crisis, by the Bundesbank economics department, puts the long-term blame on the premature effort to operate a system of unchanged parities, in spite of growing cost and price differentials between the EC member states. Resulting tensions were exploited by the traders in the currency markets.

The bank suggests respect for its track record compared with that of other EC central banks also encouraged more confidence in the D-Mark.

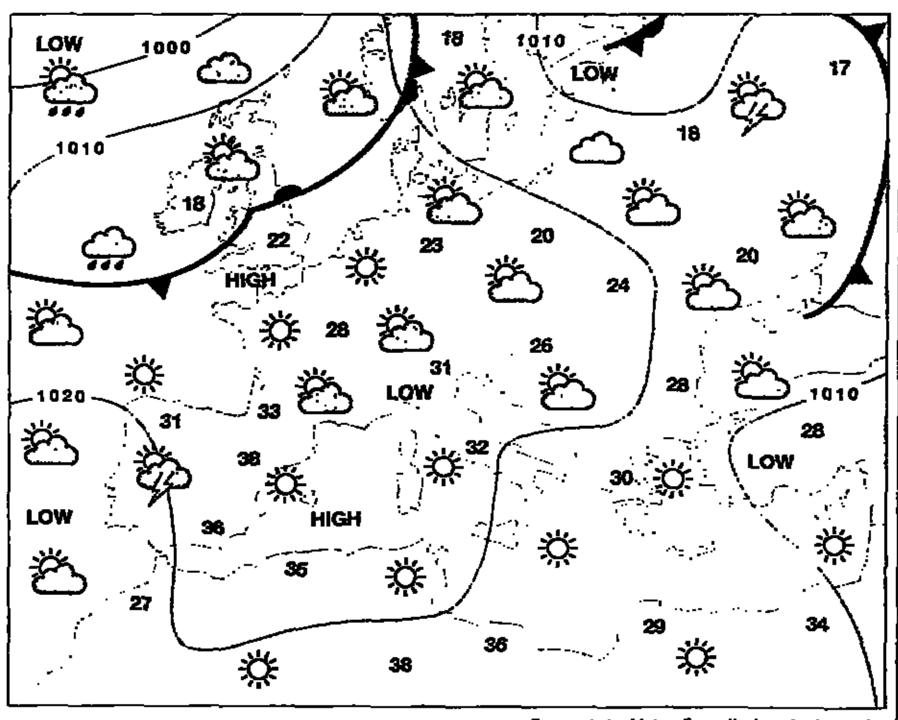
FT WORLD WEATHER

Europe today

A frontal system associated with a vigorous depression near Iceland will affect the UK, producing cloud with a few isolated showers. During the afternoon and evening, a batch of showery rain will move into Ireland from the west. High pressure will keep the Continent mostly sunny and dry. Poland and the Alps will have patches of cloud. Scandinavia will have some sunny spells but showers will linger, especially in Finland. Temperatures in Scandinavia will stay below 15C. Southern Europe will continue very warm with abundant sunshine. Central Spain and Portugal will have thunder showers in the afternoon and evening.

Five-day forecast

Friday will become unsettled and cool in most of the UK. During the weekend, unsettled and cooler conditions will spread over the Continent. The north-west will be particularly cool with temperatures of 15C-20C. Depressions moving across Scandinavia will bring unsettled and cool conditions. Spain and Portugal will have more thunder showers followed by cooler conditions. South-east Europe will remain sunny and very warm.



Forecasts by Meteo Consult of the Netherlands

TODAY'S TEMPERATURES

		Maximum Celsius
Abu Dhabi	sun	42
Accra	cloudy	29
Algiers	sun	35
Amsterdam	fair	22
Athens	sun	33
B. Aires	fair	20
B.ham	cloudy	23
Bangkok	thund	32
Barcelona	fair	31
Beijing	fair	30
Belfast	shower	19
Belgrade	sun	27
Berlin	fair	21
Bermuda	fair	30
Bogota	rain	18
Bombay	shower	31
Bordeaux	sun	34
Brussels	fair	24
Budapest	fair	25
C.hagen	fair	19
Cairo	sun	34
Cape Town	fair	23
Caracas	cloudy	30
Chicago	thund	30
Cologne	sun	25
D' Salaam	cloudy	28
Dakar	fair	30
Dallas	sun	37
Darwin	fair	32
Delhi	fair	36
Dubai	sun	42
Dublin	fair	19
Dubrovnik	sun	31
Edinburgh	cloudy	20
Faro	fair	28
Frankfurt	sun	28
Geneva	fair	28
Glasgow	fair	18
Hamburg	fair	20
Helsinki	shower	15
Hong Kong	thund	29
Honolulu	fair	31
Isle of Man	cloudy	18
Istanbul	sun	28
Jersey	fair	20
Karachi	fair	34
Kuwait	sun	45
L. Angeles	fair	24
La Paz	shower	16
Las Palmas	fair	27
Lisbon	thund	25
London	fair	24
Luxbourg	sun	25
Lyon	fair	30
Madeira	shower	26
Madrid	thund	39
Majorca	sun	35
Malta	sun	34
Manchester	drzzl	21
Manila	shower	29
Melbourne	fair	16
Mexico City	fair	23
Miami	thund	33
Milan	sun	32
Montreal	fair	27
Moscow	shower	17
Munich	sun	25
Nairobi	cloudy	22
Naples	sun	32
Nassau	fair	33
New York	sun	28
Nice	sun	29
Nicosia	sun	37
Oslo	fair	21
Paris	sun	28
Perth	shower	18
Prague	fair	22
Rangoon	rain	29
Reykjavik	rain	12
Rio	fair	24
Riyadh	sun	43
Rome	sun	30
S. Frsco	fair	22
Seoul	shower	26
Singapore	rain	31
Stockholm	fair	16
Strasbourg	fair	29
Sydney	sun	22
Tel Aviv	sun	32
Tokyo	shower	29
Toronto	fair	29
Tunis	sun	34
Vancouver	fair	22
Venice	sun	29
Vienna	fair	25
Warsaw	cloudy	20
Washington	sun	32
Wellington	fair	12
Winnipeg	sun	24
Zurich	fair	27

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THE LEX COLUMN
High on yield

A 48-point rise in the FT-SE 100 index at the end of a record 18 consecutive rises and one flat day suggests a degree of hysteria about UK equities. Certainly there were some special factors in London yesterday, not least overseas investors buying from market makers who were chronically short of stock. Yet with eight different equity markets hitting all-time or 1993 peaks yesterday, there is more going on. Sharply reduced worldwide inflation expectations, low and falling short term interest rates and a consequent fall in real bond yields have encouraged investors to overlook historically low equity yields.

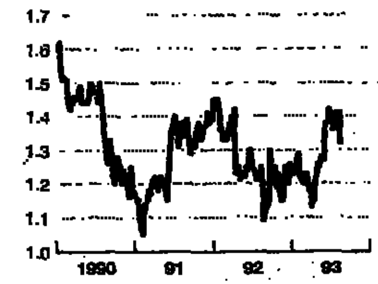
The 35 per cent rise in the FT-SE 100 – and a 70 per cent rise in small cap stocks – since sterling left the ERM argues for caution, but there is some support from bonds for the current market valuation. If inflation remains subdued, yield is a good yardstick for assessing market valuations. With bond yields around 7.5 per cent and equities yielding 3.7 per cent, the yield ratio is hardly stretched. Comparison with overseas markets is also encouraging. The reward for holding equities as opposed to bonds is still substantially higher for UK shares than many overseas markets – notably the US.

Such considerations are doubtless driving the move away from highly rated cyclical shares, which have already more than discounted economic recovery, towards larger companies with solid dividend yields. Still, nervous investors must be wondering how low absolute equity yields can fall. That in part depends on how sustained the remission in inflation proves. Both the monetary aggregates and the yawning output gap suggest that any inflationary threat is some way off.

FT-SE Index: 3073.6 (+48.6)

UK water sector

FT-A Water dividend yield divided by the FT-A All-Share dividend yield



Source: Datastream

BICC

The London stock market's euphoria could scarcely have contrasted more with the dour faces on display at BICC. Although there was an encouraging 54 per cent profits recovery in Australasia and an improving trend in the UK, BICC was consumed by the gloom surrounding lengthening recession in mainland Europe. Germany was particularly weak. Cable volumes in Spain fell 30 per cent. If, as seems probable, BICC's experience has broader implications for UK manufacturers, it was entirely lost on the overall market yesterday.

Despite the 3 per cent fall after its figures, BICC's shares have still climbed 95 per cent from last October's trough. The theory is that even if trading remains grim, BICC's shares are underpinned by the yield, which remains at 6 per cent. But that presupposes that the dividend will be held. After the 27 per cent fall in interim earnings, this may be open to doubt.

BICC has previously dipped into reserves to maintain its payment. Its earnings may barely cover the dividend this year too. BICC would then face the agonising dilemma of deciding whether to persevere with its payout policy or preserve cash to fund expansion. At this stage in the cycle, investors may have assumed such worries were redundant. But a further downward lurch in BICC's European markets may make them all too real. Chasing yield may be the latest fashion. But it is worth keeping an eye on earnings too.

SCA

For a paper company to contemplate increasing capacity again is a real act of faith that the market has turned. Swedish investors clearly believe as much, having bid up their paper sector by 1.3 times since last October. But the signs are not all positive and it will take time to soak up current overcapacity. Significantly, SCA's new machine in the UK will not come on stream until 1995. The company's move may also reflect structural considerations as much as cyclical ones, as Nordic producers shut capacity in home markets and open mills using recycled pulp closer to end users.

Timing paper cycles is certainly tricky, as Fletcher Challenge – which yesterday wrote down the carrying value of UK Paper by NZ$229m – will doubtless confirm. Hence SCA's caution in considering sharing the project with South African investors. They, in turn, may have the additional temptation of parking funds offshore. But if things really are turning the paper industry's way, this may be dispiriting news for others. UK newspapers have benefited greatly from the 30 per cent fall in newsprint prices since 1989. If that trend reverses itself, advertising revenues remain sticky and the spectre of VAT materialises, newspapers' margins could be painfully squeezed.

UK water sector

With next year's regulatory review looming, water companies can draw mild encouragement from the Monopolies and Mergers Commission report on British Gas. The rate of return on new investment recommended by the MMC is around 1 percentage point higher than that suggested by the water industry regulator. Water companies will be loath to risk a direct appeal to the MMC, but its findings set a precedent. Capital expenditure may run at £5bn a year through the second half of the decade, so a 1 percentage point increase in rate of return adds £50m a year to profits. Existing assets may also earn more.

The snag is that the MMC's findings might strengthen the argument that water companies have made excessive returns on capital since privatisation. As the MMC recognised, valuing the capital base of utilities is no easy matter. Ofwat's favoured approach is to take the market capitalisation of the water sector at privatisation as a measure of historic assets, to which new investment is added. On that basis – and applying the MMC's rates of return for gas – the water sector should be making annual profits of perhaps £800m. Last year, profits amounted to well over £1bn.

The question is whether Ofwat will try to claw back what it might argue are excess profits by allowing lower rates of return in future. The comfort for shareholders is that such action would have to be gradual. Water companies' ability to service the huge amounts of capital needed to fund investment would otherwise be damaged. On that basis, there seems little to disturb the recent rally in the sector. As in the case of other utilities, investors' enthusiasm for shares which yield more than the market average is proving a match for regulatory doubts.

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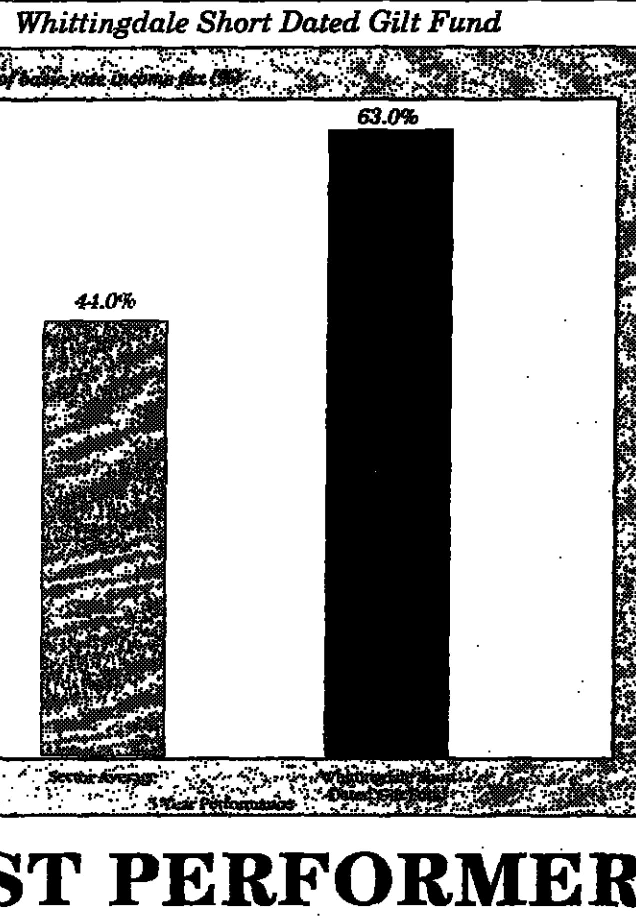

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Please remember that past performance is not necessarily a guide to future returns and that the price of units and the income from them are not guaranteed and can go down as well as up.
Source: FINSTAT/Financial Adviser. Performance is to the 6/8/93 and has been calculated offer to bid with income reinvested net of basic rate tax. The Short Dated Gilt Fund is an authorised Unit Trust. Whittingdale Unit Trust Management Limited is a Member of IMRO and LAUTRO. Whittingdale Limited is a member of IMRO.

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INSIDE

Aga on course for improved result

Aga, the Swedish industrial gas group, said it was on course to achieve higher profits in 1993 as income after financial items rose 4 per cent to SKr766m ($95m) in the first half. Aga was satisfied with the performance of its core gas operations, considering the weak economic climate in most of its key markets. Page 12

Europe drags down BICC

The deepening recession on the European continent adversely affected BICC, the cables and construction group, which yesterday reported a 12 per cent fall in interim pre-tax profits. At BICC Cables, the European business, profits fell from £47m to £36m ($53.6m) and North America fell into a loss of £1m. Page 12

Philips sets profit target

Mr Henk Bodt, the head of Philips' lossmaking consumer electronics business reaffirmed his prediction that the sector would reach break-even point this year, but said that the longer-term goal must be to achieve operating profit equivalent to between 3 and 4 per cent of net sales. Page 13

Tourists order up a profit

City Centre Restaurants, which owns, among others, the Garfunkels and Deep Pan Pizza chains, lifted interim pre-tax profits from £4.32m to £4.76m ($7.1m). However, Mr Phillip Kaye, chief executive, described the group's growth in the first half as "slight". In particular, London, home of the 35 Garfunkels outlets, had been dreadful until July 1, he said, when the tourists arrived. Page 15

Maple Leaf optimistic despite slip

Second-quarter profits of Maple Leaf Foods, the Canadian food processor 56 per cent owned by Hillsdown Holdings of the UK, slipped 6 per cent to C$16.9m (£8.58m) through competitive pressures and lower interest income. The company was more optimistic of prospects for the rest of the year. Page 15

Marley helped by housing boost

Pre-tax profits of Marley more than doubled during the first six months of this year from £6.1m to £13.2m ($19.7m) as the building materials group took advantage of housing market recoveries in the UK and US. Page 16

Hard cheese for buffaloes

The mozzarella cheese business has become one of the fastest growing agricultural foodstuff sectors in Italy. Only about 10 per cent of the market is now held by what Italians consider the real mozzarella, made from buffalo milk. Page 18

Storm over Arctic cod

Norway and Iceland have become embroiled in a bitter dispute over fishing rights in a huge undeclared zone in the Barents Sea where Arctic cod spawn. Norwegian trawlermen have threatened to destroy Icelandic nets. Page 18

Caution for Central America

A new climate of economic liberalisation and growing political stability has given a boost recently to Central America's fledgling stock markets. But business caution, and sometimes arduous legal procedures, mean that they still have a long way to go. Back Page

Market Statistics

Companies in this issue

Chief price changes yesterday

FRANKFURT (DM)				Essilor Int	559	+	24
Rises				Rhone Poulenc A	168	+	6.1
Allianz	2475	+	57	Taittinger	2140	+	140
Daimler	744	+	23	Worms Cie	317.9	+	12
Horten	217.5	+	11.5	**Falls**			
Mercedes	744	+	20.2	Euro Disney	67.8	-	3
Porsche	620	+	28	**TOKYO (Yen)**			
Schering	961	+	26.5	**Rises**			
NEW YORK ($)				Oriental Photo	581	+	75
Rises				Teikoku Pstn	609	+	90
Glaxo	17¾	+	1	Yamaichi Sec	689	+	22
Merck	32¾	+	1½	**Falls**			
Pfizer	62¾	+	2¾	Dai Tokyo F&M	825	-	24
Philip Morris	49¾	+	1¾	Meiji Machine	610	-	40
Falls				Toshiba Elec	677	-	13
AMR	66⅞	-	⅞				
Delta	52¾	-	¾				
PARIS (FFr)							
Rises							
Alcatel Alsthom	725	+	20				

New York prices at 12.30.

LONDON (Pence)				Pittencrieff	291	+	20
Rises				Rea Bros	52	+	5
AAF	122	+	8	Rothmans B	694	+	23
Argyll	342	+	13	Wellcome	733	+	35
Baggeridge Brk	86	+	13	Zeneca	696	+	32
Boots	490½	+	15½	**Falls**			
Chiltern Radio	68	+	9	BICC	403	-	14
Dalepak Foods	219	+	15	Euro Disney	665	-	30
Evans Halshaw	390	+	14	First Leisure	319	-	15
French Cnctn	157	+	18	Horace Small	74	-	7
Gieves	37	+	4	Ransomes	19	-	5
Glaxo	591	+	33				
Jessups	102	+	8				

Investors push markets to peaks

By Terry Byland in London

INCREASING hopes of a bull market in global equities pushed stock markets in the UK, Germany, Hong Kong, Spain, Singapore and Malaysia to new peaks yesterday and produced a strong performance on Wall Street.

Markets in continental Europe continued to respond to expectations of lower interest rates as UK and German markets strengthened at suggestions that funds are being pulled out of Japanese equities.

The markets appeared to feed on each others' strength as the day progressed. As Tuesday's all-time high for the Dow Jones Industrial Average spurred early price rises in London, so big gains overseas and heavy buying of drug stocks pushed US equity markets further into record territory yesterday. The Dow Jones average broke through 3,600 for the first time in yesterday's US morning trading.

UK equities attracted foreign demand, particularly from the US, as global investment strategists recommended the London market on hopes of falling interest rates, a firm currency, and growing confidence in the recovery of the economy and corporate earnings. Statistics on domestic retail prices and sales, released yesterday, were in line with expectations.

The FT-SE 100 Index registered its best daily gain since late January, rising 48.6 points to a new closing peak of 3,073.6. The renewed advance in share prices was backed up by near record trading in both traded options and stock index futures.

Stock markets in Pacific Rim countries chalked up five new 1993, or all-time closing highs. New Zealand equities rose 3.4 per cent to a three-year peak. Australia shrugged off a tax-laden federal budget to close at its best since 1987.

Hong Kong chalked up its third consecutive peak and Singapore its fourth on overseas demand for blue chips. Malaysia completed the field as institutional funds continued to mop up quality stocks.

Germany and Spain also hit new highs for the year. Frankfurt's Dax index hit 1,935.75, up 25.55. Mr Eckhard Frahm, an institutional adviser with Merck Finck in Düsseldorf, estimated that the 29 per cent appreciation of the yen this year meant Japanese investors were buying the Dax at an effective level of under 1,400.

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London Stock Exchange, Page 19
Lex, Page 10

First half profit leap at Credit Suisse

By Ian Rodger in Zurich

CREDIT Suisse, the flagship bank of the CS Holding financial services group, has reported a 67 per cent increase in consolidated profits before taxes and provisions in the first half of 1993 to SFr2.4bn ($1.59bn), and forecast "good profits" for the full year.

The profit growth rate was flattered by the inclusion, for the first time, of the results of Swiss Volksbank, acquired by CS Holding for SFr1.6bn in mid-April. Excluding the Volksbank contribution, Credit Suisse's pre-tax profits grew by 51 per cent.

Like Union Bank of Switzerland, which last Thursday reported a 58 per cent rise in first-half profits before taxes and provisions to SFr2.76bn, Credit Suisse said buoyant trading income was the main contributor to its growth.

The group's profits from securities and foreign exchange trading nearly doubled to SFr1.53bn, with 20 per cent of the growth coming from the addition of Volksbank's trading results.

Trading, a strong point at Credit Suisse, surpassed lending to become the group's largest source of earnings.

The inclusion of Volksbank business accounted for roughly half of the 47 per cent gain in commission income to SFr1.23bn, and provided all of the 27 per cent gain in net interest income to SFr1.51bn.

Group expenses increased by 38 per cent to SFr1.99bn, with Credit Suisse's own costs rising only 8.7 per cent. Credit Suisse said that the process of uniting the two banks had been progressing well. Expenses were lower in the second quarter than in the first.

Credit Suisse did not reveal a figure for bad loans provisions at the interim stage. However, it said that the difficult business climate and continuing structural adjustments meant that substantial provisions would again be necessary. Last year's provisions rose 34 per cent to a record SFr1.5bn.

The acquisition cost of Volksbank was about SFr640m below the disclosed net worth of the bank. Credit Suisse subsequently realised SFr170m through the sale of Volksbank shares held in Volksbank's own treasury.

The group's total assets reached SFr229.4bn at the end of June, so it has almost certainly surpassed Swiss Bank Corporation to become Switzerland's second-largest bank after UBS.

Michiyo Nakamoto reports on carmakers looking to develop reciprocal inroads

Japan braces itself for the US roadshow

THE recent sale by Chrysler, one of the Big Three US carmakers, of its final 2.7 per cent stake in Japan's Mitsubishi Motors ended an equity link that spanned more than two decades.

By coincidence, on the same day, the US Court of International Trade ruled against a charge brought by US carmakers that Japanese manufacturers were dumping mini-vans in the US market.

The relationship between US and Japanese carmakers has always been as much coloured by politics as ruled by business interests. In the past, the wrangling has centred on the US car market, with US makers calling on politicians to curb the Japanese onslaught on their home territory. But now the focus of political and business interest has been shifting from the US to Japan.

A complex web of relationships has grown up between the Big Three and their Japanese rivals. These gave US manufacturers smaller, fuel-efficient cars and introduced them to Japanese-style manufacturing methods, while allowing Japanese car companies a direct route into the US market.

The Japanese market was never a focus of these alliances – in 1992 imported cars took only a 4.1 per cent share.

But changes in the political and business environment have wrought a shift in roles. Now Japanese car executives sense a greater interest among US manufacturers in penetrating the Japanese market, and worry that US companies might be serious about using their corporate links to expand their share.

"Ford is now serious about entering the Japanese market," says Mr Yoshihiro Wada, president of Mazda.

Although the US company has had a dealer network of 300 stores for more than 10 years, which Mazda set up to sell Ford cars, Ford was not particularly enthusiastic about selling to the Japanese market, Mr Wada says.

That has changed. Ford recently announced that it would start supplying the Japanese market with right-hand drive models, including the best-selling Taurus, from next year. The US company is also setting up a technical centre in Tokyo to help increase sales of its auto parts to Japanese carmakers.

General Motors, meanwhile, has been pushing Toyota to sell GM cars through its dealer network.

In April, the US company said the two had agreed in principle to manufacture a car in the US for the Japanese market, with Toyota handling the distribution. The Japanese company says it is still considering the proposal.

Many Japanese car companies acknowledge a debt to the US industry in helping them realise their global ambitions.

"It is questionable whether Mitsubishi would have grown into the company it now is without the tie-up with Chrysler," says Mr Taizo Yokoyama, managing director of Mitsubishi Motors which has been selling about 40 per cent of its cars in the US through Chrysler's dealers.

Nissan says it was able to develop the Quest multi-purpose car because of its tie-up with Ford. Both companies wanted a new multi-purpose vehicle but independent development would have been too costly, says Mr Junji Shibata, general manager of Nissan's European and North American operations group.

Japanese manufacturers have had to dissociate business interests from the political pressures. For example, Ford, which has had a 24.5 per cent stake in Mazda, joined GM and Chrysler in calling for anti-dumping duties on Japanese mini-vans, including Mazda's MPV Wagon.

However, Mr Wada describes Ford as acting from political necessity, not from a desire to cause Mazda difficulties. "They are speaking on a political level," he says.

But as US companies step up their efforts to enter the Japanese market, the sacrifices Japanese carmakers may have to make are overshadowing the advantages they see in their links with US companies.

While the Japanese makers say they are willing to help US competitors in their home market, they emphasise the need for clear business incentives for such co-operation.

"We are considering selling Chrysler cars through our dealers," says Mitsubishi's Mr Yokoyama, "but it depends on how competitive Chrysler's cars will be in Japan."

If they can do what the Japanese did in the US and provide domestic manufacturers with cars that they lack, the possibilities for partnerships would increase, Mr Yokoyama suggests.

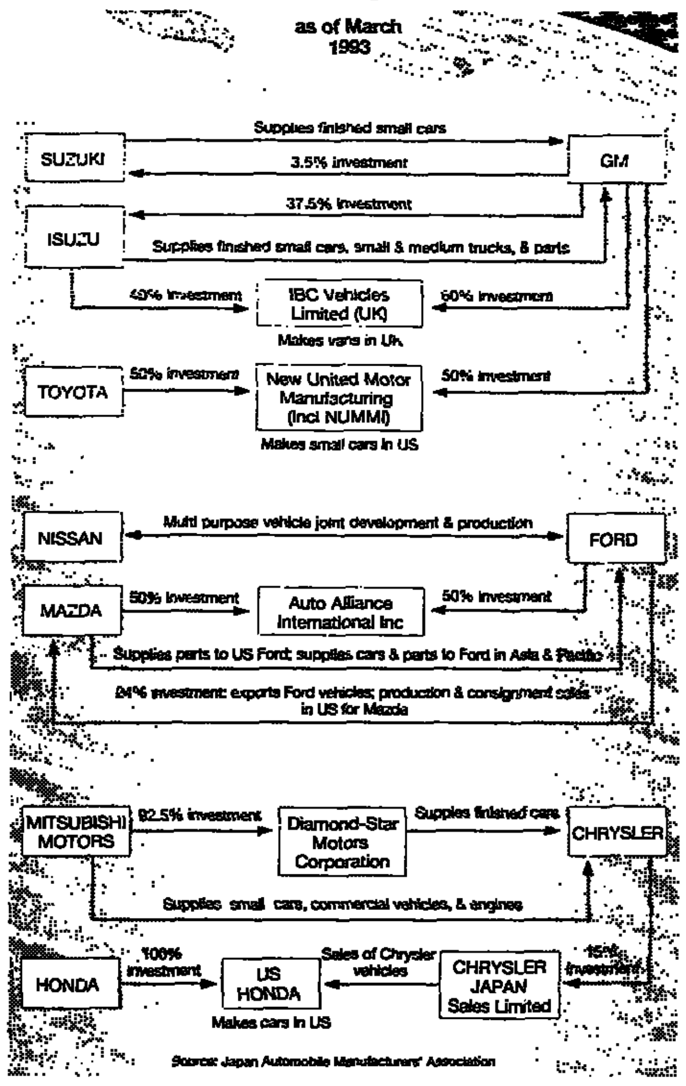
Chrysler, for example, is riding high on a Japanese craze for four-wheel drive cars and provides Honda with its Jeep Cherokee.

Meanwhile, with the yen's appreciation, buying US-made parts or finished products may actually make good business sense for Japanese manufacturers.

But the consensus is that US carmakers still have some way to go in meeting the needs of Japan's demanding consumers. Ford's enthusiasm about the Japanese market "does not mean it will have a car that will do well in Japan this year or even next year", Mr Wada says.

With the US domestic car market in one of its worst post-war slumps and protectionist calls hampering their advance overseas, Japanese carmakers must be hoping their US partners prove to be slower students in the Japanese market than they were many years ago in the US.

Japanese – US carmaking alliances



Source: Japan Automobile Manufacturers' Association

Electrolux shares up as interim result exceeds expectations

By Christopher Brown-Humes in Stockholm

ELECTROLUX, one of the world's leading white goods manufacturers, saw its shares rise 4 per cent yesterday after it produced a better than expected first-half profit of SKr763m ($95m).

The Swedish company's result was fractionally higher than the same 1992 period and followed an increase in second-quarter profits to SKr561m from SKr505m.

Sales surged to SKr49.6bn from SKr40.8bn in the first half, almost entirely because of the impact of currency movements rather than increased volumes.

The company noted that market conditions continued to be difficult, with demand generally weaker in Europe, but better in North America.

Operating income after depreciation rose 6 per cent to SKr1.6bn as a result of a better performance in most countries. The two main exceptions were in North America and Spain, where total operating income from household appliances fell by SKr500m.

The company has been hit by heavy product launch costs in North America while its Spanish activities have suffered from weak market conditions and the impact of an "inflexible labour market".

Analysts welcomed signs that the company's long-running problems in North America were being resolved.

They also noted the performance of the group's outdoor products division, where sales rose 43 per cent to SKr8.25bn.

Sales in the group's main division, household appliances, rose 17.8 per cent to SKr27.0bn. Industrial product sales were up 22.5 per cent to SKr8.93bn, while commercial appliance sales rose 13.4 per cent to SKr4.98bn.

Outdoor products and industrial products improved their operating income during the period, while household and commercial appliances both registered a decline.

The latest figures included a SKr200m gain from the sale of most of the company's stake in the Australian company Email, but this was offset by a loss on the disposal of the direct sales operation in France.

Mr Colin Gibson, analyst with Carnegie in London, said he expected Electrolux's full-year profits to exceed 1992's SKr1bn. Electrolux B shares closed at SKr273, up SKr11.

Barclays chooses chief executive

By John Gapper, Banking Editor

BARCLAYS has chosen a new chief executive from outside the banking industry, Sir Peter Middleton, the bank's deputy chairman, told banking analysts in New York yesterday.

Analysts said that Sir Peter had told them that an announcement could be made as early as today because the executive had already been offered the job and agreed in principle. It now required only the formal agreement of the two companies' boards.

Barclays is thought to have selected a British candidate to split the responsibility of running the biggest UK bank with Mr Andrew Buxton, its chairman. But analysts said Sir Peter did not disclose the executive's nationality.

Speaking at an analysts' meeting following the bank's first-half results, Sir Peter said that Barclays had interviewed executives from commercial and investment banks, but had chosen an outsider with financial experience.

The appointment is the culmination of a four-month search. Mr Buxton announced his decision to split his role as chairman and chief executive following pressure from large shareholders.

There has been speculation that Mr Charles Miller Smith, a director of Unilever, was among the non-bankers shortlisted by Barclays with the help of its headhunting firm Spencer Stuart. The bank said yesterday that it could not comment.

If it cannot announce its choice today, the bank is thought likely to wait until next week. However, Sir Peter said that Barclays had hoped to make an announcement this week.

He said Barclays wanted the new chief executive to build up the bank's central group function independently of its three operating divisions: personal and corporate banking, the BZW investment bank, and service businesses.

Sir Peter, who is also chairman of BZW, said the new chief executive would be involved in Barclays' treasury function, the way in which it allocates capital to operations, and the reform of its management of credit and other risks.

Barclays returned to profit in the first half of this year with a pre-tax profit of £335m ($499m) following a full-year loss of £242m for 1992.

This announcement appears as a matter of record only

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Aga on course to achieve higher full-year profits

By Christopher Brown-Humes in Stockholm

AGA, the Swedish industrial gas group, said it was on course to achieve higher profits in 1993 as income after financial items rose by 4 per cent to SKr766m ($95m) in the first half.

The figures continued the group's steady performance in the face of difficult market conditions, but showed it was unable to reap the full benefits of strong growth in sales and operating income because of high interest costs.

Sales for the period were 32 per cent higher at SKr7.54bn. The company said this was due to the depreciation of the Swedish krona and acquisitions. Operating income was up 25 per cent at SKr792m.

However, the costs of financing the purchase of CEGF, the French cold storage company, and the greater expense of servicing foreign loans with a weaker krona, meant net financial costs were SKr158m higher than in the same 1992 period.

The group's performance would have been static but for its share of income from the power company Gullspangs Kraft rose rising by SKr28m.

Aga said it was satisfied with the performance of its core gas operations, considering the weak economic climate in most of its key markets.

Exchange rate factors lifted gas sales by 24 per cent to SKr5.45bn and operating income by 14 per cent to SKr697m.

The cold storage and food processing business, Frigoscandia, saw sales rise 58 per cent to SKr2.09bn, mainly due to acquisitions. Operating income soared to SKr95m from SKr22m.

Aga is sticking to an earlier forecast that full-year profits will exceed last year's SKr1.48bn.

Mr Marcus Storch, the company's chief executive, said: "The recession is expected to continue throughout the year, although some recovery is anticipated in the UK and the Nordic countries. Growth in the US is low and the economic climate in Latin America is mixed."

Nedlloyd suffers mid-term deficit

By Ronald van de Krol

DEPRESSED freight rates pushed Nedlloyd, the Dutch shipping and road haulage group, into a Fl 116m ($60m) net loss for the 1993 first half from a slim profit of Fl 1m a year earlier.

The company, which described the result as "most unsatisfactory", said results in the second half were expected to show clear improvement, though the figure would remain negative.

In a breakdown of developments over the first six months, Nedlloyd said a "low point" was reached in the first quarter when losses totalled Fl 86m. This was followed by a narrowing of losses to Fl 30m in the second quarter.

The ocean-shipping division swung into an operating loss of Fl 62m in the first half from a Fl 34m profit a year earlier. Although land-based transport and distribution remained profitable, operating results fell to Fl 5m from Fl 8m.

The company said it was not clear whether road haulage second-half results would match those in the same period of 1992 because of continuing recession in Europe.

BICC blames 12% setback on deepening European recession

By Roland Rudd

THE deepening recession in continental Europe adversely affected BICC, the UK cables and construction group, which yesterday reported a 12 per cent fall in pre-tax profits for the half-year to June 26.

Sir Robin Biggam, chairman, said: "In the last year, the continental European economies in which we operate have deteriorated rapidly. The rate of recovery in the UK and Australia has been disappointingly slow, while the upturn in North America is only stuttering along."

Profits fell from £58m to £51m ($75.99m) on higher sales of £1.95bn (£1.77bn). The shares fell 14p to 403p. Around £4m of the fall in profits was because of the group's decision not to capitalise interest on property developments.

The rest of the decline was mainly attributable to BICC Cables, the European business, where profits fell from £47m to £36m.

BICC closed two factories at its lossmaking operations in Spain and cut the workforce 22 per cent. This compares with a 20 per cent staff cut in the UK and 25 per cent in the US.

Profits from the Italian and Portuguese operations also fell while the cable business in Germany broke even.

North American cables reported a loss of £3m compared with a profit of £1m. A rationalisation programme in Canada is expected to yield annual savings of C$10m (£5m).

Australasia reported increased profits of £20m (£13m) through increasing volumes and benefiting from a lower cost base.

Balfour Beatty, the contractor, increased operating profits to £17m (£15m). Sir Robin was encouraged by the increasing number of UK infrastructure projects involving the private sector but urged the government not to cut capital spending as way of bringing public spending under control.

He believes the privatisation of British Rail offered the group long-term opportunities.

Sir Robin said offers, although inadequate, for part of the group's property portfolio, indicated the first "chink of light" in the depressed property sector.

Borrowings rose to £151m, partly because of acquisitions and disposals, giving gearing of 20 per cent. The interest charge was £16m (£17m). Last year debt was wiped out from the proceeds of a rights issue. Earnings per share fell to 8.2p (11.2p). The interim dividend is held at 6p.

Lex, Page 10; Analysis, Page 16

Jyske Bank moves back into surplus

By Hilary Barnes in Copenhagen

JYSKE Bank, the first of the larger Danish banks to report on the first half, moved to a profit this year of DKr394m ($57m) from an operating loss of DKr479m in 1992.

Net interest and fee income soared by 33 per cent to DKr1.06bn from DKr795m. Provisions declined to DKr387m from DKr677m, and the adjustment for the market value of securities since the end of last year added DKr382m to profits, compared with only DKr57m last year.

The bank made an unrealised loss of DKr135m in the recent currency turmoil, but maintained an earlier forecast that operating earnings for the year will be in the region of DKr150m to DKr250m, compared with a loss of DKr913m for the whole of 1992.

German banks' 1993 earnings up 13.5%

By David Waller

OPERATING profits for the German banking sector rose by 13.5 per cent last year, reaching a total of DM40bn ($23.6bn), the Bundesbank has calculated.

The main reason for the increase was a 10 per cent surge in earnings from interest income, reflecting a DM9.5bn increase in bank lending volume, the German central bank says in its August monthly report, published today.

As a result, the banks were able to improve interest margins and capital ratios, in spite of the onset of recession in Germany in the second half of last year, the Bundesbank found.

Recent interim figures from the banking sector showed that banks have maintained their immunity to the downturn in the German economy, even as the economy has deteriorated further during the current year.

This has been mainly because of strong profits on own-account trading, though growth in interest income has also proved resilient.

Higher costs put SAS in the red

By Christopher Brown-Humes

SCANDINAVIAN Airlines System (SAS) slumped SKr609m ($75.7m) into the red in the first half of 1993, a SKr1.1bn turnround on its performance in the same 1992 period.

The airline blamed a big rise in financial costs, but also said fierce competition, recession and depressed traffic volumes in Sweden had aggravated its losses. Yields fell 6 per cent overall and by 13 per cent in domestic Swedish traffic.

The tone was considerably more gloomy than in March, when the airline announced a 1992 loss of SKr743m, but it declined to make a full-year forecast because of the impact of market deregulation, restructuring and unrest in the foreign exchange markets.

The company has been discussing a link-up with KLM, Swissair and Austrian Airlines, and said yesterday it expected to start talks on an "airline constellation with a joint balance sheet" soon.

Operating revenue for the first half rose 8 per cent to SKr18.9bn. However, the company made a loss after depreciation of SKr145m, against a SKr708m profit in the first half of 1992.

The deficit was aggravated by SKr1.1bn in financial losses, stemming from a weaker krona, higher interest costs and increased net debt, leaving it with a loss before financial items of SKr1.23bn, compared with a SKr484m profit.

The bottom line would have been even worse had the airline not made a SKr554m gain on the sale of its terminal catering and contract catering businesses in June. This helped restrict the pre-tax deficit to SKr609m, after last year's SKr502m profit.

"Deregulation in Europe and overcapacity in the industry, combined with the recession, have resulted in intense competition and a general fall in yields," SAS stated. It said the competition meant it had not been able to increase fares in line with the depreciation of the Swedish krona.

SAS also noted that Sweden, its most important market, was a conspicuous exception to a pattern of recovery in international air transport volumes, and said recession had scarred many of its other operations, such as SAS Leisure Group. The Swedish domestic air market was deregulated in July 1992.

Bright spots for the company were an 8 per cent rise in revenue passenger kilometres and a 6 per cent increase in production. Passenger numbers rose 3 per cent to 9.2m.

The airline's equity/assets ratio weakened to 19 per cent as at June 30, compared with 23 per cent at the end of 1992.

LUFTHANSA, the German state-controlled airline, has given Austrian Airlines (AUA) until early next month to decide on proposals for a business co-operation agreement, writes David Waller in Frankfurt.

The proposed agreement has been the subject of intensive discussions between the two airlines in recent weeks, culminating yesterday in a meeting between senior executives from both airlines. These included Mr Rudolf Streicher, chairman of AUA's supervisory board, and Mr Jürgen Weber, Lufthansa's chief executive.

The agreement envisages close co-operation in business areas such as passenger services, marketing, cargo, maintenance and flight operations. If adopted, it could deal a blow to the Alcazar project, a proposed link-up between AUA and other European airlines Swissair, SAS and KLM Royal Dutch Airlines.

Downturn in Germany hits energy group

By David Waller in Frankfurt

VIAG, the German energy-based conglomerate, has forecast that profits for the full year will be lower than last year, and reported pre-tax profits for the six months to the end of June down from DM384m to DM305m. Group turnover rose fractionally from DM12.08bn to DM12.14m.

The company said the downturn in Germany's economy hit the group's packaging and trading subsidiaries especially hard in the first six months of the year.

There was likely to be no respite from recessionary pressure in the second half, the Bonn-based group predicted.

On a more positive note, it said its core energy business was to a large extent immune to the economic downturn and that profits in its chemicals activities, as well as its Kühne & Nagel transport and logistics subsidiary, would continue to develop positively in the second half of the current year.

It would make further efforts to establish a "permanent improvement" in its cost structures, Viag said, and the effects of a wide-ranging rationalisation programme would make themselves felt in the second half.

After stripping out the effect of recent acquisitions, the number of employees fell by 5 per cent year-on-year.

Viag is in negotiations with the government of the state of Bavaria to participate in the planned privatisation of Bayernwerk, the largest southern German energy utility in which Viag already has a 39 per cent stake and which in turn has a 24.9 per cent stake in Viag.

Viag said that the details of the deal ought to be ready for shareholders' approval by the end of the year.

Bavaria is likely to exchange its stake in Bayernwerk with Viag in return for a 25.1 per cent stake in the merged company and a cash payment, Viag said.

Rise in savings volume at east German banks

By Judy Dempsey in Berlin

TOTAL interim savings volume for Ostdeutscher Sparkassen und Giroverband, eastern Germany's savings banks, rose 5.4 per cent to DM116.3bn ($69.2bn) compared with the same period last year.

The rise over the first six months of the year, fuelled largely by an increase in savings among private account holders, coincides with growing unemployment and fears that any upswing in the economy will take longer than expected.

A spokesman for the 137 banks grouped under the OSGV, said personal savings rose by DM3.9bn to DM94.4bn.

He said the high rise in personal savings reflected the end of the 1990-91 consumer boom, as well as uncertainty about future jobs prospects. "People are putting aside money for their future security," he said.

The OSGV also recorded a rise in loans, which grew nearly 12 per cent to more than DM30bn. About 19 per cent of the total credits were earmarked for setting up small businesses. This reflects a rise of DM2.2bn to DM14.1bn.

More than 26 per cent of loans went to the services sector; 18 per cent to small workshops; 14 per cent to trade; and 1 per cent to agriculture.

Commerzbank to raise DM880m share capital

By David Waller in Frankfurt

COMMERZBANK, Germany's third largest bank, is raising DM880m ($519m) through an issue of Genussscheine profit-participating certificates which count as supplementary capital under European Community capital adequacy rules.

The move, which follows a DM500m rights issue earlier this year and an issue of Genussscheine last autumn, is designed to boost the bank's capital position following growth in the balance sheet during the course of the current year.

It will take the bank's total capital to DM14.5bn, of which DM3.2bn is made up of profit-participating certificates.

The new certificates will pay 7.25 per cent interest and will be issued at a price of DM1,100. The certificates, which will be offered to shareholders between September 1 and September 15, come with warrants attached: each nominal DM1,000 certificate contains four warrants.

Two warrants offer the right to buy one Commerzbank share at DM300, exerciseable between January 1994 and December 1997.

Commerzbank said profits in July and August followed the first-half trend when net operating profits rose 16.3 per cent.

This announcement is neither an offer to sell nor a solicitation of an offer to buy any of these Securities. Such an offer may be made only by the Prospectus and the Prospectus Supplement.

August 18, 1993

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For the three month period 18th August, 1993 to 18th November, 1993 the Notes will carry an interest rate of 3.5% per annum with a coupon amount of U.S. $89.44 per U.S. $10,000 Note and U.S. $2,236.11 per U.S. $250,000 Note, payable on 18th November, 1993.
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For the three months 18th August, 1993 to 18th November, 1993 the Notes will carry an interest rate of 5% per annum with a coupon amount of U.S. $127.78 per U.S. $10,000 principal amount, payable on 18th November, 1993.
Bankers Trust Company, London — Agent Bank

BankAmerica Corporation
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Floating Rate Notes Due February 1997
For the period from August 19, 1993 to November 19, 1993 the Notes will carry an interest rate of 3.625% per annum with an interest amount of US $463.19 per US $50,000 principal amount of Notes payable on November 19, 1993
Bank of America NT & SA, London – Agent Bank

Mortgage Intermediary Note Issuer (No.1) Amsterdam B.V.
For the three month period from 19th August, 1993 to 18th November, 1993 the Notes will bear interest at the rate of 6.3125 per cent. per annum. The Coupon amount per £25,000 Note will be £397.78 payable on 18th November 1993
Morgan Grenfell & Co. Limited — Agent Bank

European Investment Bank
ECU 500,000,000
Floating Rate Notes due 2002
In accordance with the provisions of the Notes, notice is hereby given that the Rate of Interest for the six month period ending 18th February, 1994 has been fixed at 6.5625% per annum. The interest accruing for such six month period will be ECU 167.71 per ECU 5,000 Bearer Note, and ECU 3,354.17 per ECU 100,000 Bearer Note, on 18th February, 1994 against presentation of Coupon No. 4.
Union Bank of Switzerland London Branch Agent Bank
16th August, 1993

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August 19, 1993, London
By: Citibank, N.A. (Issuer Services), Agent Bank CITIBANK

CITICORP
U.S. $200,000,000
Floating Rate Notes Due May, 1994
Notice is hereby given that the Rate of Interest has been fixed at 4% and that the interest payable on the relevant Interest Payment Date November 19, 1993, against Coupon No. 6 in respect of US$50,000 nominal of the Notes will be US$511.11 and in respect of US$250,000 nominal of the Notes will be US$2,555.55.
August 19, 1993, London
By: Citibank, N.A. (Issuer Services), Agent Bank CITIBANK

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Philips executive sets three-year profit target

By Ronald van de Krol in Eindhoven

THE HEAD of Philips' lossmaking consumer electronics business reaffirmed his prediction that the sector would reach break-even point this year, but said that the longer-term goal must be to achieve operating profit equivalent to between 3 and 4 per cent of net sales.

Mr Henk Bodt, chairman of consumer electronics at Philips, the Dutch electronics group, said he "would certainly feel very unhappy" if this target were not attained in three years' time.

Consumer electronics, Philips' single largest business, posted an operating loss of Fl 150m ($77m) in the first half, down from Fl 177m a year earlier.

The group as a whole saw net profit soar to Fl 1.32bn. This was due largely to a Fl 1.1bn extraordinary gain on the sale of its stake in a Japanese-based semi-conductor joint venture.

"I am more confident than I was a year ago, and first-half figures gave some signs of hope," he said. He stood by previous forecasts that Philips would go through the break-even point in consumer electronics in the course of this year, but declined to say whether the sector's full-year result would be positive or negative.

Mr Bodt, speaking ahead of an important consumer electronics trade show in Berlin later this month, said the company was stepping up its marketing of the "digital compact cassette".

This is a successor to the standard cassette and a product which will in part help determine Philips' future in the consumer field. Philips will use the show to promote a car stereo and a portable version of the DCC.

Mr Bodt said he was "not completely satisfied" with the initial marketing of DCC, launched in September last year, and added that he wished the portable and car products had been available earlier.

DCC's rival, the MiniDisc produced by Sony, is so far available only in a "Walkman" version.

Mr Bodt declined to be drawn on reports that DCC sales were below expectations. But he said he expected car and portable players to account for 60 per cent of total DCC sales a year from now.

Metall Mining seeks project

By Bernard Simon in Toronto

METALL Mining, the Canadian-based mining subsidiary of Germany's Metallgesellschaft (MG) metals group, wants to concentrate more heavily on copper production and refining. The group said yesterday it planned to buy a large mining project.

Metall is "aggressively pursuing" the acquisition of a large copper mining project. The company currently has a modest exposure to copper. It is developing the Izok Lake property in Canada's Northwest Territories, believed to be North America's biggest undeveloped zinc and copper deposit.

Metall said it expected copper demand and prices to improve as countries in south-east Asia, South America and eastern Europe expanded their housing, infrastructure and communications facilities.

Expansion in copper smelting would also reduce the company's vulnerability to changes in copper treatment charges, and improve its chances of acquiring mining assets. Copper and other metal smelting charges have risen sharply in the past two years.

The centrepiece of the company's plans is the possible acquisition of MG's substantial copper smelting and refining assets. These include a 35 per cent stake in Norddeutsche Affinerie of Hamburg, one of Europe's biggest copper producers, and a 40 per cent interest in Austria's Montawerke Brixlegg.

Metall would pay a "substantial portion" of the purchase price by issuing common shares to MG. The German company presently has a 59 per cent stake in Metall Mining. Metall directors have retained NM Rothschild, the UK merchant bank, to prepare a valuation of MG's copper smelting assets.

Smelting capacity may also be increased at 87 per cent-owned Copper Range, an integrated producer in northern Michigan. Copper Range is presently conducting a feasibility study to expand smelting capacity from 75,000 tonnes to 135,000 tonnes.

Strong recovery for full year at NZ forester

By Terry Hall in Wellington

FLETCHER Challenge, the New Zealand forestry and energy group, reports profits after abnormal items of NZ$381.8m (US$213.3m) for the year ended June, against a loss of NZ$157.5m last time.

The recovery reflects a turnround in abnormal items, to a surplus of NZ$15.5m after a debit of NZ$472.8m a year ago.

The company plans a free issue of Fletcher Challenge Forest shares to shareholders. These will reflect the value of the company's New Zealand and Chilean forests, but not its pulp and paper industries.

About 50 per cent of the value of these assets would be reflected in the new shares.

Debt ratings lowered at leading Japanese banks

By Emiko Terazono in Tokyo

MOODY'S Investors Service, the US credit rating agency, yesterday lowered ratings of two leading Japanese banks due to mounting concerns over deteriorating loan portfolios.

The long-term debt rating for Long-Term Credit Bank was cut to A3 from A2, while short term deposits were downgraded to Prime-2 from Prime-1.

The agency also lowered long-term debt ratings of Norinchukin Bank, the central agricultural financial institution, from Aa3 to A1. The Prime-1 rating for short-term deposits was confirmed.

Moody's said as well as disclosed non-performing loans, LTCB had a substantial volume of loans to restructuring non-bank financial institutions. It said LTCB faced risk posed by closely-linked real estate companies and by non-bank financial institutions facing financial stress.

The agency expressed concern over Norinchukin's high exposure to housing loan companies. Norinchukin's profits were depressed by the need to aid low-margin operations of small agricultural co-operatives. The bank is also increasing its reliance on securities gains to boost its earnings.

Earlier this week, Moody's lowered credit ratings of Asahi Bank, a Japanese commercial bank, due to concerns over continuing vulnerability of asset quality and outlook for weak core profits.

Indonesian wood group flotation well received

By William Keeling in Jakarta

THE flotation of Barito Pacific, the Indonesian wood products company, is likely to be at least five times oversubscribed, say brokers backing the issue. They base their estimates on investors' preliminary commitments.

Brokers in Jakarta say large funds, including Global Asset Management and the Government of Singapore Investment Corporation (GSIC), have requested substantial stakes. The issue is intended to raise nearly $300m and would value the company at over $2.5bn.

The company has been dogged by poor publicity since announcing its flotation in July. It has denied allegations that its parent, Barito Pacific Group, is burdened by debt. It also denies that the issue was damaged last month when Salomon Brothers of the US withdrew as lead foreign co-ordinator of the issue, reportedly on the grounds of inadequate financial disclosure by the company.

Barito executives say Salomon Bros has since decided to support the issue as a foreign selling agent, although brokers stress no written agreement had been signed.

Brokers close to the deal say investor interest has been strongest in Hong Kong and Singapore, and deny a lack of interest in New York, where only 13 potential investors attended the company's "road show" presentation last month.

Brokers say the GSIC, which has refused to comment on its intentions, has requested a stake of at least $30m. The presence of GSIC would reassure fund managers reluctant to commit funds without evidence of strong foreign backing for the issue.

AT&T extends 1992 plans to phase out jobs

AMERICAN Telephone & Telegraph, the US communications and computer group, yesterday said it would close 40 offices and phase out 3,000 to 4,000 jobs by early 1995, writes Karen Zagor in New York.

Most of the job cuts will affect AT&T operators.

The move, in response to the growing use of automated operator services, is an extension of the company's 1992 plans to cut between 3,000 and 6,000 non-management and between 200 and 400 management jobs by the end of 1994.

Printing division bolsters News Corp offshoot

By Bruce Jacques in Sydney

PACIFIC Magazines & Printing, an Australian offshoot of News Corporation, has come through a flat period with profit and dividend growth for the year ended June.

The company yesterday announced a 13.2 per cent increase in net earnings, to A$59.2m (US$40m), on a 12.4 per cent sales rise to A$661m. The dividend is going up from 10 cents to 20.4 cents a share.

The result reflected a rise in pre-tax profit from A$52.4m to A$58.4m for the company's printing division. Pre-tax earnings from magazines eased from A$46.3m to A$44.9m.

Directors said the results followed a contraction in magazine advertising and cost increases reflecting increased promotion and improved production quality.

They said the company had spent A$36m on acquisitions, and a further A$31m on new plant in the year. This lifted interest-bearing debt by A$17.2m to A$221.9m.

With much of this expansion concentrated in the Asian region, directors said they would continue to focus on this area. The result was helped by a reduction in financing charges, from A$25.1m to A$18.4m. Tax took A$25.6m, against A$21.3m previously.

The company began trading in its current form in October 1991, and comparative figures were stated on an annualised basis.

● Australian Provincial Newspapers, the regional publishing group 15 per cent-owned by Independent Newspapers of the UK, has increased net earnings by 46 per cent to A$6.5m for the June half. Sales rose 7 per cent to A$67.2m. The interim dividend is up from 1 cent to 2.3 cents a share.

COMPANY NEWS DIGEST

Westfield lifts earnings 13%

WESTFIELD Holdings, the Australian shopping centre operator, lifted earnings and its dividend in the year ended June after expanding its asset base by 65 per cent, writes Bruce Jacques in Sydney.

Net earnings rose 13 per cent to A$35.7m (US$23.8m) following a 9 per cent gain in total revenue to A$448.4m. The dividend is going up from 10.75 cents to 12 cents a share.

The company increased shopping centres held from 21 to 31 during the year, lifting assets under management from A$4bn to A$6.6bn.

Write-offs hit net at Leighton

BIG write-offs on properties and a withdrawal from the US market hit the results of Leighton Holdings, the Australian construction group, in the year ended to June.

The company yesterday announced a 33 per cent fall in net earnings, to A$15.1m on a marginal decrease in revenue. The dividend is being held at 8 cents a share.

The result followed abnormal losses of A$64.4m, reflecting provisions against properties and write-downs of US operations.

The abnormals are not expected to be repeated in the current year, Leighton said. It expects increased net earnings for 1993-94.

CRA agrees to sale of Taiwan mill stake

CRA has agreed to sell its 48.02 per cent interest in the An Mau steel rolling and coating mill in Taiwan. The price remains undisclosed, but is higher than book value.

The group's 1992 annual report showed an equity carrying amount of A$67.1m for the An Mau interest, and a A$4.1m net profit contribution. An Mau's 1992 sales were A$320m.

CRA's interest will be sold to one of its Japanese partners in the An Mau joint venture, Yodogawa Steel Works. The sale continues CRA's policy of divesting non-core assets.

The sale is scheduled for completion by the end of 1993. CRA initially made its investment in An Mau because the mill was potentially a direct user of CRA products, but this is no longer the case.

Newbridge Networks up sharply to C$32m

NEWBRIDGE Networks, the Canadian maker of specialised telecom switching gear, reported first-quarter profit of C$33m (US$24.4m), or 41 cents a share, up fivefold from $6.2m, or 9 cents a share, on sales of $115m, against $56m, writes Robert Gibbens in Montreal.

NORTHAM PLATINUM LIMITED

(Incorporated in the Republic of South Africa)

(Registration No. [illegible])

PRELIMINARY ANNOUNCEMENT OF RESULTS (Audited)

Income Statement	Year ended 30 June 1993 R000	Year ended 30 June 1992 R000
Sales revenue	49 368	-
Cost of sales	100 096	-
On-mine costs	135 926	-
Freight, realisation and refining costs	3 645	-
Increase in stock	(39 475)	-
Operating loss	(50 728)	-
Other income	14 105	25 691
Interest paid	(1 136)	-
(Loss)/Profit before tax	(37 759)	25 691
Tax	-	11 206
(Loss)/Profit after tax	(37 759)	14 485
Income transferred to fixed assets	(1 295)	(14 485)
Transfer to non-distributable reserve	(8 069)	-
Accumulated loss, carried forward	(47 123)	-
Shares in issue (Thousands)	81 792	57 600

Balance Sheet	at 30 June 1993 R000	at 30 June 1992 R000
Fixed assets	1 448 343	1 217 706
Loan advanced	22 804	15 041
Net current assets/(liabilities)	39 966	(34 674)
Current assets	84 193	28 406
Cash	5 189	305
Less current liabilities	49 416	63 385
	1 511 113	1 198 073
Share capital	1 550 167	1 198 073
Non-distributable reserve	8 069	-
Accumulated loss	(47 123)	-
	1 511 113	1 198 073

NOTES:

FINANCIAL RESULTS

Production officially commenced on 1 January 1993. Prior to this date all income and expenditure was capitalised.

The results have been materially affected by production during the six months to June 1993 being well below the ultimate operating capacity of the mine and generally depressed metal prices particularly rhodium and nickel.

The book value of metals on hand and in transit at 30 June 1993 was R39,5 million. Platinum stocks were valued at net realisable value and all other metals at a nominal R2 per unit.

The loan advanced has been adjusted to take into account an unrealised exchange gain. This amount has been transferred to a non-distributable reserve.

A rights offer raised approximately R350 million in January 1993. This amount had largely been depleted by 30 June 1993 in repaying borrowings totalling R203 million at 31 December 1992 and funding capital expenditure and operational requirements in the six months to June 1993. Additional funding is required and discussions are being held with a banking institution in connection therewith.

RESULTS OF OPERATIONS

The results of operations are detailed below.

Production 1992		Production 1993
220 449	Tons milled	635 000
4,45	Head grade g/t (3PGE + Au)	5,7

DEVELOPMENT

The total distance advanced during the year was 22 440 metres of which 2 370 metres was on reef at an average in situ grade of 9,41 grams per ton (3PGE + Au) over a stoping width of 100 centimetres. Development rates generally have been below expectations mainly as a result of bad ground conditions and fissure water within the structurally disturbed corridor to the east of the shaft complex and this has had a significant impact on stoping operations.

STOPING

A total of 171 310 square metres was broken during the year. This was well below the requirement to meet projected milling rates and was due, *inter alia*, to the delays in development, a higher than anticipated occurrence of second order potholes and, in the second half of the year, the need to bring the underground infrastructure up to the minimum level required to support full scale stoping operations at a sustainable rate.

METALLURGICAL COMPLEX

The metallurgical complex operated satisfactorily although the initial lock-up of material-in-process in the smelter and base metal removal plant was higher than anticipated. The overall metallurgical recovery of 3PGE + Au was above expectations.

OUTLOOK

Substantial effort has been put into eliminating the problems associated with the production delays. Tonnage milled in July 1993 increased by over 20% to 100 000 tons and given the number of reef raises available for stoping, those being prepared for stoping and those being developed, it is projected that the planned milling rate of 150 000 tons should be achieved around the middle of the current financial year. Once this has been attained, a programme to improve mining and cost efficiencies will be vigorously pursued.

ANNUAL REPORT

The annual report will be posted to members on 13 September 1993.

By order of the board
per pro GOLD FIELDS CORPORATE SERVICES LIMITED
London Secretaries
S J Dunning, Secretary

Registered and Head Office: 75 Fox Street, Johannesburg 2001

London Office: Greencoat House, Francis Street, London SWIP IDH

United Kingdom Registrar: Barclays Registrars, Bourne House, 34 Beckenham Road, Beckenham, Kent BR3 4TU

18 August 1993

A member of the Gold Fields Group

Instead of one quality manager in every factory we now have 43,053 worldwide! With SKF channel production methods, quality is the responsibility of every member of the working team and is checked continuously. Scrupulous visual checking complements the most advanced computerised process control methods to ensure product quality.

The channel concept provides a smooth production flow with minimum stoppages, and it dramatically cuts the time from raw material to delivery. Intermediate and finished goods stocks can be reduced which releases tied-up capital. The result is higher quality in a shorter time at a lower price enabling SKF – as the world leader in rolling bearings – to maintain its competitive edge in the market.

SKF Interim Statement

SKF Group sales for the first six months of 1993 amounted to SEK 14, 526 m. (£1,295m) compared with SEK 14, 037 m (£1,342m) in the first half of 1992. In comparing the two periods, the fact that CTT Tools was included in the 1992 sales figure must be taken into account, as should the weakening of the Swedish krona.Following adjustment for these effects, sales declined approximately 8 per cent during 1993, compared with 1992. The Group reported a loss, after financial income and expense, of SEK -469m, (£-42m) compared with a loss of SEK -194m (£-19m) in the first six months of 1992. During the second quarter of 1993 the Group reported a loss of SEK -114m, (£-10m) compared with a loss of SEK -355m (£-32m) for the first quarter.

The improvement in earnings between the second and first quarters of 1993 was due to the extensive rationalization programme implemented by the Group since the autumn of 1990.

Bearings and seals

Sales in Europe during the second quarter of the year remained at the same level as in the first quarter. Volume has now remained virtually unchanged – at a low level – for three consecutive quarters.

Demand for bearings in the North American market continued to be favourable, with improvements in both volume and earnings during the second quarter of the year, compared with the first. The trend of sales in North America was also favourable when compared with the first half of 1992. SKF has now entered the third consecutive year of increased sales in this market. Although the strongest trend was reported in the automotive segment, sales in the machinery segment also improved.

Ovako Steel

Demand for special steel products continued to be weak during the second quarter of 1993. No additional decline was reported, compared with the first quarter. Prices remained under intense pressure but no further deterioration was reported.

Forecast

Provided that the Group's sales do not deteriorate, the second half of 1993 will show a better result than the first half.

For a copy of the 1993 Half Year Report please contact:

SKF Group Public Affairs, S 415-50 Göteborg, Sweden. Tel: + 46-31-3710 00.

Average rate of exchange
January - June 1993 1GBP = 11.22 SEK
January - June 1992 1GBP = 10.46 SEK

SKF

U.S. $200,000,000

BANK OF BOSTON CORPORATION

Floating Rate Notes Due 2000

Issued 12th September 1985

Interest Period	16th March 1993 16th September 1993
Interest Amount per U.S. $50,000 Note due 16th September 1993	U.S. $1,533.32

Credit Suisse First Boston Limited
Agent

Republic of Austria

US$350,000,000
Floating rate notes 1997

Notice is hereby given that the notes will bear interest at 3.25% per annum from 19 August 1993 to 19 November 1993. Interest payble on 19 November 1993 will amount to US$8.31 per US$1,000 note, US$83.06 per US$10,000 note and US$830.56 per US$100,000 note.

Agent: Morgan Guaranty Trust Company

JPMorgan

HYPOBANK

Bayerische Hypotheken-und Wechsel-Bank Aktiengesellschaft

US$100,000,000
Subordinated Collared Floating Rate Notes 2003

Notice is hereby given that the notes will bear interest at 5.25% per annum from 19 August 1993 to 22 February 1994. Interest payable on 22 February 1994 will amount to US$136.35 per US$5,000 note.

Agent: Morgan Guaranty Trust Company

JPMorgan

U.S. $225,000,000

BACOB

BACOB Overseas Limited
(Incorporated in the Cayman Islands with limited liability)

Guaranteed Floating Rate Notes due 1994

unconditionally and irrevocably guaranteed by

BACOB Savings Bank s.c.
(Incorporated in Belgium as a co-operative limited liability company)

In accordance with the provisions of the Notes, notice is hereby given that the Rate of Interest for the three month period ending 18th November, 1993 has been fixed at 3.375% per annum. The interest accruing for such three month period will be U.S. $86.25 per U.S. $10,000 Note and U.S. $862.50 per U.S. $100,000 Note against presentation of Coupon Number 8.

Union Bank of Switzerland
London Branch Agent Bank

16th August, 1993

Union Bank of Switzerland

The Royal Bank of Scotland Group plc

£200,000,000
FLOATING RATE NOTES 2005

In accordance with the Terms and Conditions of the Notes, notice is hereby given that for the Interest Period from 17th August 1993 to 17th November 1993, the Notes will bear a Rate of Interest of 6% per annum. The amount of interest payable on 17th November 1993 will be £75.62 per £5,000 Note and £756.16 per £50,000 Note.

AGENT BANK: CHARTERHOUSE BANK LIMITED
A Member of The Securities and Futures Authority

CHARTERHOUSE

Gilts hit by profit-taking as rate cut hopes recede

By Sara Webb in London, Bruce Jacques in Sydney and Patrick Harverson in New York

UK GOVERNMENT bonds weakened across the board as the prospect of an interest rate cut appeared to recede and some investors took profits.

Mr Michael Portillo, chief secretary to the Treasury, said in a TV interview that Mr Kenneth Clarke, the chancellor of the exchequer, was "satisfied

GOVERNMENT BONDS

with the present level of interest rates". The news dampened hopes of a cut in the base rate, currently at 6 per cent, and short-dated gilts fell around $\frac{3}{16}$ on the day.

The inflation and retail sales figures released yesterday did not make much impact on the market, dealers said, as they were in line with expectations.

The annual inflation rate edged up in July to 1.4 per cent, from 1.2 per cent in June, while underlying inflation (which strips out the effects of mortgage interest payments) inched up from 2.8 per cent to 2.9 per cent, which is still well within the government's target of 1 to 4 per cent.

Trading was mainly futures-driven, and the Liffe gilt future ended at 113.11, against the previous close of 113.21, having moved in a range of 113.07 to 113.31.

■ ANOTHER bout of rate-cut speculation invigorated some European government bond markets yesterday, with Spain and Italy seeing some early buying interest, although initial enthusiasm appeared to wane in the course of the day.

The French government bond market closed higher, buoyed by the strength of the franc and hopes of further easings by the central bank.

There was some speculation that the overnight rate may be lowered again as early as today at the repo, following Tuesday's 50 basis point cut to 8.75 per cent.

Meanwhile, trading in German government bonds was lacklustre as the market awaited the release of M3 money supply figures. The Liffe bund future opened at 97.36 and traded at 97.22 by late afternoon.

■ TRADING in Australian government bonds was volatile in the wake of the country's federal budget, announced late on Tuesday.

FT FIXED INTEREST INDICES

	Aug 18	Aug 17	Aug 16	Aug 13	Aug 12	Year ago	High *	Low *
Govt Secs (UK)	102.38	102.31	102.10	101.93	101.71	88.54	102.38	93.28
Fixed Interest	124.54	124.23	123.81	122.86	122.56	105.10	124.54	108.67

Basis 100: Government Securities 15/10/26; Fixed Interest 1928.
* for 1993. Government Securities high since compilation: 127.40 (9/1/35), low 49.18 (3/1/75)
Fixed Interest high since compilation: 124.54 (18/8/93), low 50.53 (3/1/75)

GILT EDGED ACTIVITY

Indices*	Aug 17	Aug 16	Aug 13	Aug 12	Aug 11
Gilt Edged Bargains	103.5	99.8	117.4	132.1	141.4
5-Day average	118.8	121.6	126.4	130.8	132.6

* SE activity indices rebased 1974

Traders initially sold off Australian bonds, focusing on a budget forecast of an increase in Australia's headline inflation rate from the current 1.9 per cent to 3.5 per cent by the end of 1994.

This saw yields on 10-year Commonwealth bonds jump from 6.8 per cent before the budget to over 7 per cent in offshore trading, eventually peaking at 7.1 per cent in early Australian trading yesterday.

But the sell-off was reversed in late trade, with yields easing to 6.9 per cent as traders refocused on the likelihood of another official interest rate cut before the year-end.

Among shorter-dated securities, the Reserve Bank's treasury note auction yesterday saw yields ease from 4.790 per cent to 4.595 per cent on 13-week notes.

■ PORTUGAL will issue up to Es750bn of fixed-rate treasury bonds this year, Es150bn more than originally planned, Reuter reports from Lisbon. The government is to reduce its planned issue of family savings certificates by Es150bn to Es50bn so there would be no increase in the overall volume of debt issued.

"Raising the limit of Treasury bond issues was foreseeable, particularly if we wanted to increase the depth of the market and its liquidity, so this should be viewed simply as a routine measure," Treasury director Mr Manuel Pinho said.

■ THE US yield curve continued to flatten yesterday morning as the long end posted strong gains while the short end remained flat. By midday, the benchmark 30-year government bond was up $\frac{9}{16}$ at 99¾, yielding 6.266 per cent, yet another new record low for the issue. At the short end of the market, the two-year note was up $\frac{1}{32}$ at 100¼, to yield 3.963 per cent.

Traders put the early gains among longer-dated securities down to a follow-through from overnight demand on foreign markets, and to futures-related buying. Volume was relatively light throughout the morning, which magnified the impact of early buying.

Bonds have risen to new highs mainly because economic fundamentals are still positive – the economy continues to grow slowly, and inflation remains low – and supply pressures are no longer a concern now that the final 30-year issue of 1993 is out of the way.

Analysts believe the yield on the long bond will quickly drop to 6.25 per cent, but may struggle to move much beyond that.

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Change	Yield	Week ago	Month ago
AUSTRALIA		9.500	08/03	118.6853	-0.646	6.89	6.82	7.08
BELGIUM		9.000	03/03	112.9500	+0.150	7.09	7.07	7.02
CANADA *		7.500	12/03	103.5450	-0.280	7.01	6.97	7.09
DENMARK		8.000	05/03	108.8500	+0.260	6.73	6.74	7.16
FRANCE	BTAN	8.000	05/98	108.8390	+0.038	5.79	5.65	6.09
	OAT	8.500	04/03	115.1600	+0.130	6.36	6.34	6.70
GERMANY		6.500	07/03	101.2350	-0.120	6.33	6.33	6.51
ITALY		11.500	03/03	109.9000	-0.505	10.12†	10.19	10.98
JAPAN	No 119	4.800	06/99	104.9306	-0.062	3.77	3.80	4.01
	No 157	4.500	06/03	102.0534	-0.107	4.20	4.16	4.26
NETHERLANDS		7.000	02/03	105.5400	+0.050	6.20	6.14	6.34
SPAIN		10.300	06/02	105.5000	+0.400	9.34	9.47	10.22
UK GILTS		7.250	03/98	103-20	-6/32	6.33	6.26	6.71
		8.000	06/03	108-01	-9/32	6.86	6.88	7.48
		9.000	10/08	115-20	-5/32	7.28	7.38	7.85
US TREASURY *		5.750	08/03	100-17	+2/32	5.68	5.81	5.68
		6.250	08/23	99-30	+12/32	6.25	6.46	6.54
ECU (French Govt)		8.000	04/03	108.2100	+0.180	6.81	6.83	7.19

London closing. *denotes New York morning session. Yields: Local market standard
† Gross annual yield (including withholding tax at 12.5 per cent payable by non-residents.)
Prices: US, UK in 32nds, others in decimal. Technical Data/ATLAS Price Sources

Mexican soft drinks bottler plans $150m global share offer

By Sara Webb

COCA-COLA FEMSA, the Mexican soft drinks bottler, is hoping to raise up to $150m from domestic and international investors with a share offering.

The company is a joint venture between FEMSA, Mexico's largest beverage company, and the Coca-Cola Company, which acquired a 30 per cent equity stake in the company in April 1993 for $195m.

FEMSA is reducing its stake in the venture from 70 per cent to 51 per cent by offering 19 per cent (equivalent to 82m shares) to the public.

About 20 per cent of the shares (16.4m of common stock) will be offered to domestic investors, while 4.9m American depositary shares (ADSs) or 60 per cent of the stake will be offered in the US.

The remaining 20 per cent or 1.64m ADSs will be offered to European investors.

Each ADS represents 10 Series L shares and will be listed on the New York Stock Exchange, while the Series L shares will be listed on the Mexican exchange.

The indicated pricing is $17 to $19 per ADS. Bear Stearns is global co-ordinator for the offering.

FEMSA had already indi-

INTERNATIONAL EQUITIES

cated that it would separate the soft drinks division from the rest of the company once the Coca-Cola transaction was completed.

Coca-Cola FEMSA's main activities consist of the production, bottling and distribution of Coca-Cola, Diet Coke, Sprite, Fanta and other soft drinks.

Pricing of Denmark's $1bn FRN deal creates confusion

By Antonia Sharpe

THE PRICING of the Kingdom of Denmark's $1bn offering of floating-rate notes (FRNs) prompted some confusion in the international bond market yesterday.

According to the terms of the four-year deal, arranged by Lehman Brothers, Denmark

INTERNATIONAL BONDS

appeared to be paying an all-in cost of nine basis points below the London interbank offered rate (Libor).

This initially baffled syndicate managers at the other banks which had been invited to bid for the mandate, since they had shown much more aggressive pricing proposals to the borrower.

Denmark's National Bank said that Lehman Brothers had attached a "structure" to the deal which enabled the Kingdom to come away with an all-in cost of more than 10 basis points below Libor. However, it to give further details.

Lehman Brothers also declined to comment on what happened behind the scenes. It said the issue had received a good reception in eastern Asia and in Europe, partly because the pricing was not as tight as the market had expected.

The fact that there was no call option on the issue made the notes attractive to investors who believe US interest rates will start climbing again before the notes mature, Lehman said.

The notes, which carry a coupon of ⅛ of a basis point below Libor, were re-offered at their issue price of par. They are expected to be freed to trade today.

The Eurodollar sector was tapped late in the day by Exxon Capital Corp, the financing arm of the US oil giant, which raised $250m through an offering of 15-year Eurobonds.

The bonds, which carry a coupon of 6⅛ per cent, were priced to yield 37 basis points over the 5¾ per cent US Treasury due 2003.

Philips Electronics NV also raised dollars but launched its $500m offering in the "Yankee" market – the US domestic market for foreign borrowers.

Lead-manager Goldman Sachs said that the triple-B credit rating of the Dutch company had not yet recovered sufficiently to enable it to tap the international bond market. However, the deeper US domestic market was able to accommodate borrowers with weaker credits, the firm said.

NEW INTERNATIONAL BOND ISSUES

Borrower	Amount m.	Coupon %	Price	Maturity	Fees %	Spread bp	Book runner
US DOLLARS							
Kingdom of Denmark‡	1bn	(a)	100R	Sep.1997	0.125R	-	Lehman Brothers Intl.
Exxon Capital Corp.	250	6.125	99.817R	Sep.2008	0.4R	+37 (5¾%-03)	Morgan Stanley Intl.
Credit Suisse, London Branch	200	6.125	99.49R	Sep.2003	0.325R	+41 (5¾%-03)	CSFB
Banco Quilmes, Argentina	50	8.75#	99.75R	Sep.1996	1.25R	+448(4¾%-96)	Prudential-Bache Secs(UK)
ITALIAN LIRA							
Rabobank Nederland(b)	200bn	9	100.25R	Sep.2003	0.325R	-	Banca Comerciale Italiana
AUSTRALIAN DOLLARS							
R & I Bank Western Australia	100	7.25	100.95	Sep.2003	2.125	-	Hambros Bank

Final terms and non-callable unless stated. The yield spread (over relevant government bond) at launch is supplied by the lead manager. ‡Floating rate note. #Semi-annual coupon. R: fixed re-offer price; fees are shown at the re-offer level. a) Coupon pays 3-month Libor - 0.125%. b) Callable at par on 9/9/95 and annually thereafter.

The offering from the Dutch company was divided into two tranches of $250m, one with a maturity of 10 years and the other with a life of 20 years.

The bonds due in 2003 were priced to yield 110 basis points over 10-year US Treasuries while the bonds due in 2013 were priced at a yield spread of 105 basis points over the 30-year US Treasury, which is traditionally used to determine the pricing for long-dated bonds.

Elsewhere, Rabobank Nederland, the triple A-rated Dutch bank, raised L200bn through an issue of 10-year Eurobonds. A syndicate manager involved in the deal said that the borrower had swapped the proceeds of the issue into floating-rate dollars, achieving a borrowing cost of 25 basis points below Libor.

The bonds, which have a coupon of 9 per cent, were re-offered at 100.25 and they were quoted at 100.30 bid when freed to trade.

● Dixons Group, the UK electrical retailer, has signed a £225m revolving credit facility with a number of international banks. The facility, arranged by NatWest Capital Markets, includes about £140m which has a three-year maturity.

Chicago exchanges seek more futures exemptions

By Laurie Morse in Chicago

THE COMMODITY Futures Trading Commission, the primary regulator of the US futures industry, is asking for public comment on applications from the Chicago Board of Trade and the Chicago Mercantile Exchange to be exempted from many of the agency's rules.

The 60-day comment period could set the stage for a significant change in the agency's way of treating institutional transactions on organised exchanges.

The CFTC, using new powers granted under its 1992 reauthorisation, exempted off-exchange swap, hybrid, and energy contracts from its jurisdiction earlier this year with relatively little public debate. Those exemptions were for transactions not previously regulated by the CFTC.

The CBoT and CME argue that similar exemptions are due for their institutionally-traded contracts.

The CME has specifically asked for regulatory relief for its new "rolling spot" currency products, which are aimed at interbank foreign exchange traders.

The CFTC, noting that such exemptions would be a fundamental departure from exchange regulation of the last 70 years, has made it clear it wants broad public input before making a decision.

Mr Albrecht, acting CFTC chairman, said the CFTC's decision would depend "in large measure on what happens during the comment period".

The agency is not in a strong position for landmark decision-making.

Mr Albrecht steps down from the Commission on Friday, leaving three seats vacant on the five-member board.

Commissioners are nominated by the White House, and President Bill Clinton has not yet named any choices for the CFTC.

MARKET STATISTICS

FT/ISMA INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market. Latest prices at 7:10 pm on August 18

U.S. DOLLAR STRAIGHTS	Issued	Bid	Offer	Chg. day	Yield
ABN 9⅛ 94	200	104⅛	105⅛		3.94
AlbertaProvince 9⅜ 95	600	109⅞	110¼		4.52
Austria 8½ 00	400	114⅞	115⅛		5.67
[illegible]					

OTHER STRAIGHTS	Issued	Bid	Offer	Chg. day	Yield
Arbed 7½ 95 LFr	600	100	101		7.49
Genfinance Lux 9½ 99 LFr	1000	108⅛	110½		7.25
World Bank 8 96 LFr	1000	102	103		7.13
[illegible]					

[illegible]

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	14	48	19
Other Fixed Interest	3	2	10
Commercial, Industrial	572	122	728
Financial & Property	412	48	354
Oil & Gas	20	16	45
Plantations	2	0	6
Mines	41	51	42
Others	40	44	40
Totals	1,104	331	1,244

LONDON RECENT ISSUES

EQUITIES

Issue Price	Am'nt Paid up	Latest Renunc. Date	1993 High	1993 Low	Stock	Closing Price	+or-	Net Div	Times Cov'd	Gross Yield	P/E Ratio
120	F.P.	-	147	125	Bakyrchik	141	+4	-	-	-	-
†150	P.P.	-	188½	150	British Telecom (P/Paid)	184½	+1½	N15.8	1.4	4.4	21.0
100	F.P.	-	99	94	Dunedin Japan Inv	99	+½	-	-	-	-
-	F.P.	-	55	38	Do Warrants	55		-	-	-	-
-	F.P.	-	5	3½	Explaura A	5		-	-	-	-
-	F.P.	-	153	149	Finsbury Smlr. Co's. C	153		-	-	-	-
65	F.P.	-	81	75	Flying Flowers	81	+3	R01.3	3.2	1.6	18.4
[illegible]											

FIXED INTEREST STOCKS

[illegible]

RIGHTS OFFERS

[illegible]

TRADITIONAL OPTIONS

● First Dealings Aug 9
● Last Dealings Aug 20
● Last Declarations Nov 11
● For settlement Nov 22

3-month call rate indications are shown in Saturday editions.

Calls: Aminex, Aran Energy, Arlen, Cluff Resources, Cons. Murchison, Ex-Lands, Excalibur, First Safety, Lucas Wts., Northern Ireland Electric, Shoprite. Puts: Aminex, Ex-Lands, Glynwed, UK Land. Put & Call: Shandwick.

LIFFE EQUITY OPTIONS

Option		Calls Oct	Calls Jan	Calls Apr	Puts Oct	Puts Jan	Puts Apr
Allied-Lyons	600	25	35½	47½	20½	33½	38½
(*600)	650	7	16	26½	65	64½	69
Argyll	330	24	32	39	9½	17	20½
(*342)	360	9½	16	25	28	33½	36½
ASDA	57	10½	-	-	2	-	-
(*64)	67	4½	-	-	6	-	-
Brit Airways	345	24	34	-	12½	21½	-
(*353)	360	16½	28	34	20	29½	35½
Smith Bchm A	460	30	43	53	17	28	32½
(*467)	500	13	26	35½	41	51	55
Boots	460	42½	49½	59	7	13½	18½
(*492)	500	16½	26	38	22½	31	38½
BP	300	15½	22½	27½	9	15	18
(*303)	330	4	10½	14½	29	32½	35
British Steel	110	11½	16½	20½	6	10	12
(*114)	120	6½	11½	15	11½	15	17
Bass	500	27	38½	43½	17½	32	38½
(*506)	550	7½	16½	23½	50½	66	71
Cable & Wire	800	67½	83½	99½	11½	23	29
[illegible]							

Option		Calls Nov	Calls Feb	Calls May	Puts Nov	Puts Feb	Puts May
Brit Aero	460	46½	65	74½	33	48	65½
(*488)	500	31	46½	57	56½	66½	77½
[illegible]							

Option		Calls Sep	Calls Dec	Calls Mar	Puts Sep	Puts Dec	Puts Mar
Eurotunnel	460	25	51½	-	16	37	-
(*466)	500	9	32	-	44½	61	-
[illegible]							

Option		Calls Oct	Calls Dec	Calls Mar	Puts Oct	Puts Dec	Puts Mar
Pilkngtn	160	25½	28½	31½	4	8	11½
(*178)	180	11	16	21	12	17½	21

FT-SE ACTUARIES INDICES

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FT-ACTUARIES FIXED INTEREST INDICES

PRICE INDICES

		Wed Aug 18	Day's change %	Tue Aug 17	Accrued interest	xd adj. 1993 to date
	British Government					
1	Up to 5 years (25)	129.04	-0.04	129.10	[illegible]	[illegible]
2	5-15 years (23)	155.97	-0.06	156.07	[illegible]	[illegible]
3	Over 15 years (9)	175.83	+0.02	175.79	[illegible]	[illegible]
4	Irredeemables (6)	206.24	+0.69	204.83	[illegible]	[illegible]
5	All stocks (63)	151.52	-0.03	151.57	[illegible]	[illegible]
	Index-Linked					
6	Up to 5 years (2)	186.97	-0.09	186.03	[illegible]	[illegible]
7	Over 5 years (11)	180.92	-0.01	181.15	[illegible]	[illegible]
8	All stocks (13)	180.58	-0.01	180.77	[illegible]	[illegible]
9	Debs & Loans (65)	143.32	+0.31	142.88	[illegible]	[illegible]

AVERAGE GROSS REDEMPTION YIELDS

[illegible]

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هكذا من الأصل

COMPANY NEWS: UK

City Centre Restaurants up at £4.76m

By Peter Pearse

CITY CENTRE Restaurants, which owns, among others, the Garfunkels and Deep Pan Pizza chains, lifted pre-tax profits from £4.32m to £4.76m in the six months to June 30.

However, Mr Phillip Kaye, chief executive, described the group's growth in the first half as "slight".

In particular, London, home of the 35 Garfunkels outlets, had been dreadful until July 1, he said, when tourists seemed to arrive.

This was not helped by the fact that most of the Garfunkels restaurants had been refurbished in the period under review, using most of the £3m of capital expenditure.

The group had no borrowings and cash balances of £12m at the end of June. This should rise to about £16m by the end of the year, said Mr Kaye.

He ascribed the profits rise mostly to the just under 100-strong Deep Pan Pizza chain.

As a volume business, he said that the promotions the chain had been running for the past two years had been crucial. He added that margins under the promotions – whereby you could eat as much as you liked from the pizza and pasta buffets for £2.50, now risen to £3.25 – were "not as tight as you'd think. They are only tight when you don't have the volume".

A further benefit of the promotions has been that "they destroy the competition".

Some 40 Deep Pans are attached to cinemas, and Mr Kaye said that the film Jurassic Park had done wonders for the trade in those outlets.

Group turnover grew to £45.3m (£42.1m) and operating profits to £4.45m (£4.06m). The interim dividend is traditionallynot increased at half-time and is again 0.45p, payable from earnings of 1.68p (1.57p).

● COMMENT

City Centre Restaurants, now valued at about £160m, has rather sneaked up on the rails, and this sums up the style of the group. It has ridden out the recession by quietly, carefully getting on with its business, which Mr Kaye describes as "one of the most straightforward and tidy ones you could find. We just run restaurants". The group resisted the temptations to which many others in the leisure sector succumbed in the late-1980s, and consequently has not fallen at any fences. Mr James Naylor, once of First Leisure and latterly Whitegate Leisure, is set to take the reins from Mr Kaye in October, and one hopes he will not feel it necessary to divert the group from its track. Pencilled in pre-tax profits of about £12.5m for the year give a multiple of just over 19, a deserved premium.

Colin Beere

Bruce Johnston, chairman (left), and Phillip Kaye: the Deep Pan Pizza chain fuelled the advance

Richardsons Westgarth rises 37% but warns on second half

By Reg Vaughan

RICHARDSONS Westgarth, the steel stockholder and processor, achieved a 37 per cent increase in pre-tax profits, from £1.03m to £1.42m, for the first half of 1993.

The outcome was achieved on turnover some 23 per cent higher at £32.3m.

Nevertheless, the shares closed 2p lower at 87p.

Mr Roger Payton, chairman, said that increased prices by steel producers and lack of any sustained demand from customers were expected again to impact on business in the second half.

In the 1992 year the group reported profit of £1.92m on sales of £53.5m.

Net attributable profit for the half year came out at £950,000 (£750,000), giving earnings per share of 3.32p (2.84p). The interim dividend is lifted from 1.25p to 1.3p.

Mr Kevin Middis, finance director, said yesterday that the group was not seeing a lack of demand but the high level achieved in "a very buoyant and positive first quarter" had not been sustained in the second three months.

He said the company had gained market share in the north-east of England against stiff competition and was expanding capacity in Yorkshire and Scotland.

Mr Middis said analysts were looking for full year pre-tax profits of about £2.4m to £2.5m, which he thought was reasonable.

He said it was "extremely difficult to maintain margins at present". The demand pull was absent, he said.

Mr Payton said that a record 90,000 tonnes of steel was supplied to customers, the increase of some 20,000 tonnes representing organic growth.

Better margins boost Rosebys and current period starts well

ROSEBYS, the retailer of household textiles, curtains and accessories, lifted pre-tax profit from £606,000 to £681,000 in the six months to June 26.

Historically the majority of profits come in the second half, according to Mr Roy Waudby, chairman.

He added that so far in the current period "we have experienced a most welcome increase in like for like sales."

In the first half turnover reached £21.6m (£20.9m).

Operating profit jumped to £737,000 (£560,000) reflecting improved margins and strict cost controls.

Margins further improved, Mr Waudby said, as a result of continuing the overseas buying policy.

Consequently both stocks and net borrowings were higher than normal at the period end, amounting to £10.5m (£8.9m) and £4m (£1.8m) respectively.

During the period the number of branches in England and Wales were increased to 148.

Since then three more had been opened and it was expected that at least 10 others would be operative in the second half, of which seven would be sited in Scotland.

Earnings per share improved to 2.3p (1.9p).

The interim dividend goes up to 1.4p (0.9p).

The company was floated in March 1992.

Britannic Assurance lifts dividend

By Norma Cohen, Investments Correspondent

BRITANNIC Assurance, the life assurance company, yesterday announced an improvement in its interim dividend to 3.85p, against 3.433p.

"We anticipate that the life assurance business will be strong this year," said Mr Brian Shaw, general manager and actuary, explaining the dividend increase.

Britannic, like other life assurance companies, is not required to release interim profits figures.

Shareholders are currently entitled to 9.7 per cent of the profits of the with-profits pool, and Mr Shaw noted that "the market expectation is that we will move to 10 per cent by the year end."

That level, he said, is in line with the industry average and is already reflected in Britannic's share price. Several proprietary life assurance companies have recently taken steps to give shareholders a greater proportion of the profits reserved for policyholders.

Britannic said that its general insurance businesses had sharply reduced underwriting losses for the six months ended June 30 to £1.43m, against £2.3m last year.

Premium income increased from £15.1m to £17.9m, while investment income rose marginally to £1.64m (£1.57m).

Mr Shaw said that losses paid out on theft claims on home insurance appear to have steadied to last year's levels.

However, the company is still paying out roughly 60 per cent of premium income in theft claims – up from the historical level of 30 per cent.

In its life business, Britannic reported strong rises in premium income in all branches, although its industrial branch business – in which premiums are collected door-to-door – experienced smaller rises.

In ordinary branch business, pensions sales surged from £57.8m to £68.6m, while in unit linked business, sales of life assurance products roughly doubled to £7.33m.

Maple Leaf dips 6% to C$16.9m

By Bernard Simon in Toronto

SECOND-QUARTER profits of Maple Leaf Foods, the Canadian food processor 56 per cent owned by Hillsdown Holdings of the UK, slipped by 6 per cent through competitive pressures and lower interest income.

Net profits fell to C$16.9m (£8.58m) for earnings of 20 cents a share, against C$20m, or 25 cents, a year earlier. Revenues rose from C$678.2m to C$742.4m.

Interest income dropped to C$1.6m (C$2.6m). The group had cash reserves of C$168m at June 30, compared with C$201m a year earlier. Long-term debt climbed from C$28m to C$45.4m.

The company painted a brighter picture of prospects for the remainder of the year.

Mr Brent Ballantyne, newly-appointed chief operating officer, said the retail sector was showing signs of recovery, while good summer weather should boost prepared meats and bakery volumes.

Grocery products, bakeries and flour milling were among the businesses which were hit by competitive and other pressures in the second quarter.

Maple Leaf was re-examining the future of its food service division, which supplies restaurants, hospitals and other institutions.

On the other hand, agribusiness earnings improved significantly.

Fresh pork and poultry operations benefited from plant consolidation and cost-cutting. Frozen food profits were also higher.

Ransomes suffers downturn to £1.2m

By John Murrell

RANSOMES, the grass cutting machinery maker, yesterday announced interim results which, according to Mr John Kerridge, the new chairman, represented a setback in its recovery programme.

At the pre-tax level profits for the six months to end-June fell from a restated £1.84m to £1.21m on the back of a 12 per cent rise in turnover to £89.7m. However, after adjusting for exchange rate differences, the turnover increase was only 1 per cent.

Operating profits declined from £6.24m to £5.4m and losses per share widened from 2.6p to 4.4p. Payment of a dividend on the convertible preference shares, due on October 31, has been postponed. The company's ordinary shares fell 5p to 19p.

Commercial grass machinery sales increased to £48.3m (£46.4m) but at constant exchange rates declined by 9 per cent. The principal shortfall arose in the US, which was adversely affected by a continuing sluggish economy and adverse weather conditions.

The French market showed a significant decline while the performance in the UK was flat with "no evidence of any economic recovery affecting the group's markets."

Exports, however, were "encouraging" with signs of markets in the Far East showing continued growth.

At the operating level, profits of the commercial grass machinery activities fell from £3.98m to £2.4m, while those of the consumer side improved from £2m to £2.96m. With all divisions showing improvements, sales of the consumer division advanced by 30 per cent to £33.2m (£25.5m), or 23 per cent after adjusting for exchange rate movements.

For the 1992 year better grass growing conditions helped Ransomes swing from losses of £4.6m to profits of £900,000 pre-tax on turnover 6.7 per cent ahead at £156.6m.

At the half year end the group's bankers remained fully supportive of the measures being adopted by the board.

Mr Kerridge joined Ransomes late last year after retiring for health reasons as deputy chairman of Fisons.

Sherwood Computer drops 69% to £541,000

By David Blackwell

SHERWOOD COMPUTER Services, which earlier this month saw its shares fall by almost a third following a profits warning, is maintaining its interim dividend at 1.75p.

Bearing out the warning, pre-tax profits tumbled 69 per cent to £541,000 for the six months to June 30, compared with £1.75m previously. That period benefited from an exceptional gain of £522,000 following reorganisation of the company's pension scheme.

The shares, which hit a five-year high of 350p at the end of February, closed yesterday at 145p, up 1p.

The group suffered an operating loss of £315,000 (£1.6m profit) on continuing operations, but made an operating profit of £747,000 from recent acquisitions. The purchases helped lift turnover to £11.8m (£10.7m).

Sherwood, which has developed specialist software for the housing and insurance markets, put most of the blame for the profits fall on "the well publicised difficulties in the Lloyd's insurance market."

Mr George Matthews, chief executive, said the company had sold no licensed software in either sector in the first half. Reorganisations and contractions had deferred orders at Lloyd's, while the switch from poll tax to council tax had delayed orders from local authorities.

The group closed two licence sales in the housing sector last month, and was expecting to sell two more in the second half. The insurance sector was showing good prospects for 1994, Mr Matthews said.

After minorities of £203,000, fully diluted earnings per share fell to 3.4p (16.7p).

Rea Bros surges to £802,000

WITH ALL businesses contributing and offshore operations producing record figures, Rea Brothers, the private banking group, lifted pre-tax profit from £284,000 to £802,000 in the first half of 1993.

Principal activities include banking, investment management, corporate finance and trust and company administration.

The effect of low short term interest rates on earnings from capital had been offset by increased banking and investment activity. Fund management had a "particularly good" six months.

Benefit came from a reduction in doubtful debts from £90,000 to £21,000. But £175,000 was provided in anticipation of certain costs relating to the return to Alderman's House following damage from the Bishopsgate bomb in April.

Earnings rose to 1.42p (0.26p) and the interim dividend rises to 0.3p (0.25p).

Broadcastle restores pay-out

Despite little improvement in trading conditions and generally lower margins, Broadcastle produced a first half net profit which more than matched the whole of 1992.

The financial services group also announced a return to the dividend list.

The expansion was achieved by the application of "good housekeeping principles" and the careful selection of business, the directors explained.

On turnover of £1.18m (£1.29m) for the six months to June 30, pre-tax profit worked through at £224,000 (£155,000) and the net balance at £202,000 (£77,000).

For the 1992 year the net balance was £185,000.

Directors were "sufficiently encouraged" by the results to restore dividends, and declared an interim of 0.25p from earnings per share of 1.22p (0.48p).

They forecast a final dividend of 0.5p.

It is intended to build the group through Harton Securities to the level of the minimum capital required under EC banking regulations.

"This will be done as quickly as is consistent with the exercise of prudent judgment."

NEWS DIGEST

Dunedin Income assets rise

DUNEDIN Income Growth Investment Trust reported a net asset value of 645.4p per share as at July 31 1993.

The figure represented an increase of 8.2 per cent since the trust's January year-end, outperforming both the FT-A All-Share Index and the FT-SE 100 Index, up 6.2 per cent and 4.2 per cent respectively over the same period.

The trust's latest net asset value showed a year-on-year advance of some 27 per cent on the 506.5p at end-July 1992.

After the preference dividend, attributable revenue for the six months amounted to £4.35m, up from £3.79m in the comparable period reflecting "encouraging dividend growth" the trust's managers said.

The interim dividend goes up from 8.4p to 8.75p, payable from earnings of 13.72p (11.96p).

Jos Holdings

Available revenue of Jos Holdings, the reorganised split capital investment trust, rose from £526,000 to £751,853 over the year ended July 31.

A fourth quarterly dividend of 3.025p, payable on October 8, makes an 11.65p (5.65p) total – earlier in the year a total of 11.5p had been forecast.

Earnings per 20p income share emerged at 11.63p (5.69p per 25p share pre-reconstruction).

Fleming Mercantile

The first half at Fleming Mercantile Investment Trust ended with increased net asset value of 316.5p, up from 246p for the previous first half and 291.2p for the year to January 31 1993.

During the six months to July 31 the trust sold 25 per cent of its stake in Caledonian Newspaper Publishing at 22 per cent above book cost. Net proceeds amounted to £7m. The value of the remaining investment has been restated to reflect the disposal price.

All figures have been restated for the capitalisation of 60 per cent of management expenses under the new accounting policy.

Earnings came to 2.84p (3.07p). A second quarterly dividend of 1.675p is declared.

Ovoca Resources

Ovoca Resources, the Dublin-based exploration group, incurred losses of I£7,823 (£7,281) before and after tax over the 12 months to December 31.

The outcome compared with a deficit of I£519,479, of which I£500,000 represented exploration expenditure written off.

The group, shares of which are traded on Dublin's Exploration Securities Market and under Stock Exchange Rule 535 (2), is principally involved in processing for gold but also seeks base metals and minerals in Ireland, Brazil and Ghana.

Losses per share worked through at 0.06p (4p).

British Aerospace

British Aerospace has decided to increase the amount of its fully underwritten five-year revolving credit facility from £1.4bn to £1.5bn following its successful general syndication.

The facility was announced on July 8 for the purpose of refinancing BAe's existing bank lines and extending its debt maturity profile.

The syndicated facility has been arranged by Barclays Syndications, Lloyds Bank Capital Markets Group, Midland Bank and NatWest Capital Markets and underwritten by the arranging banks, Bayerische Landesbank Girozentrale, Citibank, Morgan Guaranty Trust Company of New York, Royal Bank of Canada, the Bank of Nova Scotia and Sumitomo Bank.

BRITANNIA BUILDING SOCIETY

£125,000,000
Floating Rate Notes
Due 1995

In accordance with the terms and conditions of the Notes, notice is hereby given that for the three month interest period from (and including) 18th August 1993 to (but excluding) 18th November 1993 the Notes will carry a rate of interest of 6.10625 per cent. per annum. The relevant interest payment date will be 18th November 1993. The coupon amount per £10,000 will be £151.39 and per £100,000 will be £1,513.90 payable against surrender of Coupon No: 19.

Hambros Bank Limited
Agent Bank

PUBLIC WORKS LOAN BOARD RATES
Effective August 17

	Quota loans*		
Years	EP†	A††	maturity§
1			5½
Over 1 up to 2	5⅝	5⅝	6
Over 2 up to 3	5⅞	5⅞	6¼
Over 3 up to 4	6	6⅛	6½
Over 4 up to 5	6¼	6¼	6¾
Over 5 up to 6	6⅜	6⅜	7
Over 6 up to 7	6½	6½	7¼
Over 7 up to 8	6⅝	6⅝	7⅜
Over 8 up to 9	6¾	6⅞	7½
Over 9 up to 10	6⅞	7	7⅝
Over 10 up to 15	7⅜	7⅜	8
Over 15 up to 25	8	8	8⅛
Over 25	8⅛	8⅛	8⅛

*Non-quota loans A are 1 per cent higher and non-quota loans B 2 per cent higher in each case than quota loans. †Equal instalments of principal. †† Repayment by half-yearly annuity (fixed equal half-yearly payments to include principal and interest). § With half-yearly payments of interest only

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Housing pick ups project Marley into doubled profit

By Andrew Taylor, Construction Correspondent

PRE-TAX profits of Marley more than doubled during the first six months of this year from £6.1m to £13.2m, as the building materials group took advantage of housing market recoveries in the UK and US.

Comparisons with the 1992 first half, however, were flattered as those figures included a £3.6m loss on disposals which previously had been taken below the line.

Mr David Trapnell, chief executive, said figures were restated to take account of the new FRS 3 accounting rules. A better guide to the group's performance was the 33 per cent rise in operating profits from £13.1m to £17.4m.

Earnings per share rose from 0.8p to 3p, more than covering a maintained interim dividend of 2.1p.

Mr Chris Beenham, finance director, said the group would prefer to see dividends covered at least two times by earnings before it increased payments to shareholders.

Mr Trapnell said the biggest improvement had been at the heavy building materials division which moved from a £700,000 operating loss to a £1.6m profit.

Volume sales of concrete aerated blocks in the UK, mainly to the housing market, had risen by about 11 per cent compared with the first half of last year. Sales of roof tiles increased by some 7 per cent.

Cost savings, mainly in the UK where the labour force was reduced by 500 to 4,300, had added a further £4m to profits. Lower prices for clay and concrete products compared with the first half of last year reduced this gain to about £1m.

The group had managed to raise building materials prices during early summer but had still not recovered to levels prevailing 12 months ago. Overall, UK operating profits had more than doubled from £2.1m to £5.3m.

The expanding automotive components business lifted its contribution to profits from £1.3m to £1.8m, helped by rising car sales in the UK.

Profits from plastic plumbing, wall and floor mouldings, including international contributions, rose from £12.5m to £14m.

The international businesses, which in the first half generated sales of £148.4m (£119.7m), accounted for just under half of group turnover of £299.1m (£273.2m). Its contribution to operating profits is much higher, following the recession in the UK construction industry, and rose in the first half from £11m to £12.1m including a £1.5m gain on currency movements.

Mr Trapnell said profits had risen strongly in the US, helped by an 8 per cent increase in housing starts in southern states, and in New Zealand. A strong German market for DIY products meant that profits grew marginally in western Europe, despite sharply falling demand for construction products in other continental European markets. Profits from South Africa fell slightly.

The chief executive said the group would be looking to expand its international plastic products interests.

● COMMENT

Having successfully reduced UK operating costs during the recession, Marley finds itself well placed to take advantage of even a modest recovery in housebuilding, as evidenced by its latest first half figures. Price increases, provided they can be held, will improve margins further although these may never recover to the peak levels reached previously. The US housing recovery should continue to boost North American profits while there is still no sign of any slackening in the group's German markets. The balance sheet is not strong, but at the same time is under no great strain with gearing of 64 per cent on net borrowings of £136.7m. Most of the group's virtues, however, have been recognised already in the share price, and a prospective multiple of more than 23 on full year pre-tax profits of about £30m leaves little room for further improvement in the market price.

David Trapnell: pleased by US

A building dilemma for forecasters

Andrew Taylor on conflicting signals from the construction sector

IN WHICH direction is the UK construction industry heading? Analysts trying to make sense of conflicting signals currently emanating from the industry may be forgiven for feeling confused.

Their dilemma will not have been made easier by contrasting views about the health of the market voiced yesterday by two of the industry's largest companies.

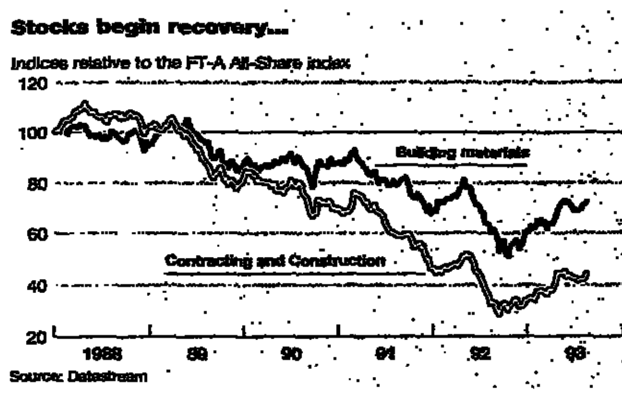
BICC, owner of the Balfour Beatty construction company, and Marley, the building materials group, both of which announced half year results yesterday, expressed themselves very differently about prospects for the sector.

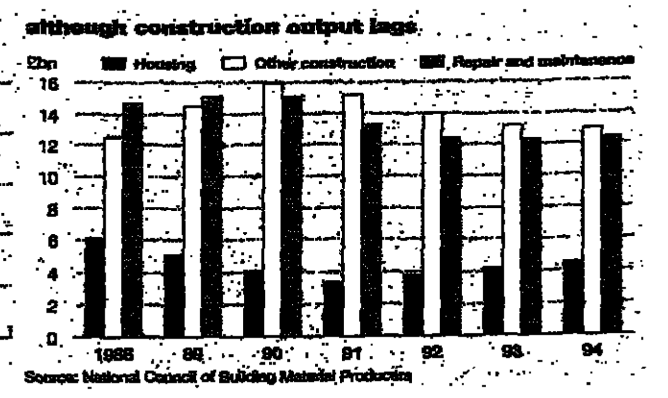
Mr David Trapnell, chief executive of Marley, which supplies a wide range of clay, concrete and plastic components to builders, spoke confidently about an industry which had passed its worst. Recovery, he said, had slowed since the spring but sales were still moving upwards, albeit more gradually.

Prices charged to customers, also, had begun to improve although they still had a long way to go to recover ground lost during the past 18 months, he said.

In contrast, Sir Robin Biggam, chairman of BICC, spoke disparagingly of a "disappointingly slow recovery" in the UK, North America and Australia. The short-term trading outlook remained difficult, he said. Although the UK economy was showing signs of stabilising, construction prices and opportunities to tender for work were weak. Growth would have to come from international markets, mainly from the Asia-Pacific region.

The main difference in the perspective of two companies is that while UK housebuilding has improved, helping Marley's sales, other construction markets, notably office development, remain deeply depressed because of over-building in the late 1980s.





Contracting and construction shares during the past 12 months have risen by more than three quarters, according to the FT-Actuaries indices – outperforming the FT-A All-Share index by more than 30 per cent. This makes construction the fourth best performing share sector behind merchant banks, other financials and commercial property.

Yet most forecasts from the industry expect construction output to fall by a further 1 per cent to 1.5 per cent this year. Next year output is forecast to rise by only about 1 per cent. This hardly suggests a robust recovery to support such a strong rise in share prices.

The historic p/e ratio for contracting and construction shares has gone off the scale at more than 80 (the FT-A indices do not measure sector ratios of more than 80), while building material shares command a historic p/e of more than 40.

Mr Leslie Kent, construction analyst with brokers Carr Kitcat & Aitken, said yesterday: "These kinds of earnings multiples suggest an increase in construction output and prices which we consider completely unrealistic given the over-supply of contractors and building materials. This has not been helped by the downturn in continental European construction markets.

"The British market is beginning to recover in some areas but progress is gradual and is offset by continuing declines in other areas."

Mr Trapnell says an improvement in new house sales and house repair and maintenance during the spring boosted sales of bricks, roof tiles, aerated concrete blocks, plastic plumbing and decorative products enabling the group to put up some prices.

This improvement has not been matched by recovery in other areas of construction, according to Mr Trapnell, who says the failure to replace large scale works on the Channel tunnel, which have been completed, and projects in London's Docklands has reduced opportunities for general construction work.

BICC, a member of the Anglo-French construction consortium building the Channel tunnel, has much higher exposure to commercial and industrial building markets as well as large scale road, rail, water and electricity generation infrastructure projects.

It, therefore, has proportionately less to gain from a housing recovery. Its fortunes are more dependent upon investment decisions taken by government ministers and company directors in other commercial sectors.

Companies, however, are unlikely to fully regain confidence until they see a much greater improvement in consumer spending which depends in part on the health of the housing market.

Colin Beere

Sir Robin Biggam: spoke disparagingly of "disappointingly slow recovery" in the UK, North America and Australia

Mr Trapnell says the large sales increases reported by housebuilders in the spring have subsequently slowed but this may be through normal seasonal factors – as potential buyers depart for summer holidays – rather than the recovery faltering.

Comparisons with a year ago of new house sales in September, October and November may also be inconclusive. These will be measured against a dreadful last autumn when the housing market virtually collapsed as interest rates fluctuated wildly and sterling withdrew from the ERM.

Marley's view is that the UK housing market, after allowing for seasonal and other distortions, has embarked on a gradual recovery which will lead to house sales rising "by perhaps 5 per cent a year rather than some of the big jumps we have seen in previous recoveries."

This may be encouraging for home owners and some hard pressed housebuilders and building material companies but hardly seems sufficient to justify the scale of share price increases seen in the sector during the past 12 months.

Reed Elsevier poised to complete airline guides buy

By David Blackwell

REED ELSEVIER, the international publishing group, said yesterday that it was set to complete the purchase of Official Airline Guides, the former Maxwell company, within the next two to three weeks.

In May, Reed signed a non-exclusive letter of intent to buy the business for $425m (£285m) from Price Waterhouse, the joint administrator of Maxwell Communication Corporation.

At this stage it is thought highly unlikely that another bidder will come forward.

Mr Nicholas Jones, Reed deputy director corporate relations, said last night that due diligence work would shortly be completed.

"We are now just waiting for the details to be pored over by the lawyers," he said.

Reed already owns ABC World Airways Guides, and has obtained US anti-trust clearance to acquire OAG, which had operating profits of $44.5m last year.

It believes that putting the two guides together will allow it to compete better with the electronic systems operated by many airlines.

If the deal goes ahead, the acquisition will be by Reed Travel group, a subsidiary of Reed Elsevier.

Swithland to seek costs from Hoskins

By Philip Rawstorne

SWITHLAND Estates, a private company run by Mr Adam Page, former chairman of Midsummer Leisure, is to seek "substantial costs" from Hoskins Brewery, the Leicester-based real ale brewer.

The move follows eight months of abortive negotiations on a deal to inject three of Swithland's Fatty Arbuckle theme bars into Hoskins in return for 41 per cent of the USM-quoted brewer's equity.

Mr Page said yesterday that Hoskins had ended the negotiations without notice last Friday.

Mr Robert Hoar, a Hoskins director, had notified him that the company had begun negotiations on a proposal from a third party.

In a statement on Monday, Mr Barrie Hoar, Hoskins' chairman, said that negotiations with Swithland had been "terminated for a variety of reasons beyond the control of the company."

However, Mr Page said: "We do not believe there were any valid reasons for not completing the transaction. We complied with all the requirements to enable the deal to proceed – and we still believe it would be in the best interests of Hoskins' shareholders."

He claimed to have reached agreement to buy the Hoar family's 30 per cent shareholding only the day before the negotiations were ended.

DIVIDENDS ANNOUNCED

BICC	int	6	Jan 4	6	-	19.25
Britannic Assce	int	3.85	Oct 6	3.433*	-	11.167*
Broadcastle §	int	0.25	Oct 23	nil	-	nil
City Centre Rest	int	0.45	Oct 11	0.45	-	1.57
Dunedin Income	int	8.75	Oct 4	8.4	-	25.4
Fleming Merc	int	1.675♠	Nov 1	1.675	-	6.7
Marley	int	2.1	Oct 29	2.1	-	4.2
Rea Brothers	int	0.3	Oct 8	0.25	-	0.5
Rich Westgarth	int	1.3	Oct 15	1.25	-	3
Rosebys	int	1.4	Oct 15	0.9	-	3.9
Sherwood Comp §	int	1.75	Nov 6	1.75	-	7

Dividends shown pence per share net except where otherwise stated. *Equivalent after scrip issue. §USM stock. ♠2nd interim

BOARD MEETINGS

The following companies have notified dates of board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available as to whether the dividends are interims or finals and the sub-divisions shown below are based mainly on last year's timetables.

TODAY

Interims- Clarke (T), Dewtongroup, Koda, Wickes, Wills Corroon.

Finals- Bristol Channel Ship Repairers, County Smaller Cos Inv Trust.

FUTURE DATES

Interims-	
ASW	Sep. 6
Boustead	Sep. 9
British Fittings	Sep. 16
British Polythene	Sep. 13
Britton	Sep. 16
Church & Co	Aug. 26
Expamet	Sep. 7
Lec Refrigeration	Aug. 27
Ladbroke	Sep. 2
Lloyds Smaller Cos Inv	Sep. 9
Paion	Sep. 2
Scholl	Sep. 7
Try	Sep. 15
Finals-	
Bryant	Sep. 20
China & Eastern Inv	Sep. 3
Lofs	Aug. 27
News International	Aug. 25
Pantheon	Sep. 16
Stanelco	Aug. 23

This announcement appears as a matter of record only

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Tomen Corporation

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Krung Thai Bank Limited
The Siam Commercial Bank Public Company Limited
The Thai Farmers Bank Public Company Limited

Participants
19 other Thai Financial Institutions

International Financial Advisor
Salomon Brothers International Limited

Financial Advisors
Bangkok Bank Public Company Limited
The Siam Commercial Bank Public Company Limited
Krung Thai Bank Limited
The Thai Farmers Bank Public Company Limited

August 16, 1993

Prices for electricity determined for the purposes of the electricity pooling and settlement arrangements in England and Wales.

1/2 hour period ending	Provisional Price for Trading on 19.08.93: Pool purchase price £/MWh	Final Prices for Trading on 22.07.93: Pool purchase price £/MWh	Pool selling price £/MWh
0030	18.24	18.24	18.24
0100	18.09	18.06	18.06
0130	18.09	18.18	18.18
0200	18.09	18.18	18.18
0230	18.09	18.18	18.18
0300	18.09	18.18	18.18
0330	18.05	18.18	18.18
0400	18.05	18.06	18.06
0430	18.05	18.04	18.04
0500	18.05	18.04	18.04
0530	18.05	18.05	18.05
0600	18.04	18.05	18.05
0630	18.03	18.08	18.06
0700	18.64	20.88	24.86
0730	20.84	24.80	28.01
0800	24.81	24.93	28.89
0830	24.94	25.89	28.80
0900	27.31	25.78	29.89
0930	29.07	28.21	32.21
1000	29.08	28.27	32.38
1030	29.08	28.38	32.42
1100	27.34	29.79	33.93
1130	29.09	31.78	38.03
1200	32.07	34.76	39.13
1230	32.08	34.73	39.08
1300	32.04	34.54	38.84
1330	27.05	29.67	33.71
1400	25.80	28.50	32.47
1430	25.80	26.18	30.04
1500	25.80	26.15	30.08
1530	25.80	26.18	30.07
1600	25.80	26.33	30.28
1630	27.05	33.14	37.49
1700	32.93	35.11	39.48
1730	32.93	34.95	39.27
1800	32.82	34.58	38.81
1830	25.81	34.34	38.80
1900	25.81	25.21	29.05
1930	25.61	25.02	28.83
2000	26.32	24.90	28.73
2030	25.62	24.80	28.69
2100	33.00	24.80	28.69
2130	33.00	24.80	28.68
2200	33.00	24.80	28.67
2230	32.80	24.89	28.69
2300	19.62	24.89	28.70
2330	19.00	24.49	28.36
2400	19.00	18.54	18.54

Prices are determined for every half-hour in each twenty-four hour period. Prices are in pounds per megawatt-hour, rounded to two decimal places. To convert prices to pence per kilowatt-hour the decimal point should be moved one place to the left, eg £18.88/MWh becomes 1.888p/kWh. Provision for the determination of pool prices is made in the Pooling and Settlement Agreements which govern the operation of the electricity pool in England and Wales. The Pool Purchase Price is the basis of the majority of payments made to generators in respect of electricity traded through the pool. The calculation of pool prices is a highly complex process the product of which is subject to revision or correction (and sometimes major alterations) until final pool prices are determined approximately twenty-four days after the day of trading. Accordingly, due to the possibility of their revision and/or correction, no reliance should be placed upon provisional pool prices for any day being the same as final pool prices for that day. Final pool prices are also capable of revision. Pool Selling Price is the price paid by purchasers of electricity under the pool trading arrangements. It is dependent upon the determination of Pool Purchase Price. Further information on pool prices is provided on behalf of the Pool by Energy Settlements and Information Services Limited. Anyone wishing to receive such information should telephone 0532-[illegible] between 8.30am and 5.15pm Monday to Friday.
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ALBRIGHT & WILSON
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- Return on sales UP to 9.0% (7.7%)

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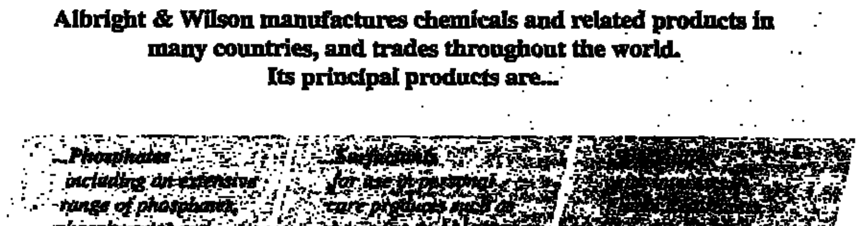

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TECHNOLOGY

Advances in chromium plating may have far-reaching implications for the car industry, writes **Andrew Baxter**

A mould breaker

Five years ago, Diesel Marine International received a telephone call out of the blue from Nissan, the Japanese motor manufacturer which was building a press shop for its car plant at Washington, Tyne and Wear, England.

"They were interested in our chrome-plating tank," says David Batie, director of DMI, based in nearby North Shields and one of the largest industrial chromium platers in Europe. "They said they couldn't possibly press car panels without chromium-plating the dies."

This, says Batie, was news to DMI, part of the Newcastle-based Torday & Carlisle group and a long-established supplier of new and reconditioned parts for marine diesel engines.

However, five years later DMI is enthusiastically expanding its links with Europe's car and truck industry to exploit an opportunity that could transform both it and its parent company.

The story combines technology, differing cultural attitudes in the European and Japanese car industries, and environmental and cost issues in car production.

Pressings was always the poor relation in the European car industry, says Batie. There is only one cast-iron die, and its associated blankholder and punch, for each panel and it is kept going throughout a model's production run with welded repairs to mend cracks, fill holes and keep it to the right shape.

Damaging a die beyond repair is a serious matter for a car company – it would take months to make a new one. So any new approach was greeted with extreme caution.

In the 1970s, the advantages of chrome-plating press dies were understood – cheaper, easier-to-machine iron could be used under the chrome, and the dies would last longer – but the process could not be perfected. Producing an even layer of chrome across the contours and cavities of a car die was difficult, and getting the chrome to stick to a mixed surface with all the repairs and modifications was also hard. The idea was quietly dropped.

Typically, though, the Japanese motor manufacturers, in co-operation with chromium-plating companies, kept going. Overall product quality, consistency and cost savings from "lean manufacturing" were factors. On top of that was the competitive environment. More frequent model changes and shorter production runs meant more dies, giving an incentive to find cheaper production methods.

But the biggest spur, says Batie, came in the mid-1980s with the more widespread use of zinc-coated steels to reduce corrosion. The zinc powder would stick to the cast-iron die, causing pimples on the body panels. Large presses which can cost up to £25,000 an hour to run would regularly be stopped for 15-20 minutes for the dies to be cleaned.

Ted Ditchburn

A good press: DMI at North Shields is considering expansion, either through acquisition or joint ventures

Typically, too, the solution has not come about through any quantum leap in technology by the Japanese, but through perseverance over 20 years in perfecting the chromium-plating process, adjusting the variables such as the positioning of anodes to achieve a very thin micron layer of chromium across the die surface.

Encouraged by Nissan, which was keen to have a local chromium-plating company working for it, DMI took a licence for the process in 1989 from Japan's Koka Chrome Industries, which has worked for Nissan on the process over the past 17 years.

DMI is receiving dies at its North Shields plant, at its Dutch plant in Zwolle and has a sub-licensee in Barcelona. It dechromes and rechromes the dies in about two days and returns them to customers. Batie says putting chromium on a die has a number of advantages beyond cutting the initial die cost. The chromium can act as a wear indicator if the grey iron shows through. The die can be quickly rechromed before welding is needed and consistency in the pressing can be maintained.

The shininess of the chromium surface works much better with zinc-coated steels, says Batie, but the chromium also has a natural "lubricity" which is important for environmental reasons.

Countries such as Germany and the Netherlands are tightening up on the use of lubricating oil in industry, but the chromium dies remove the need to lubricate the steel and prevent it tearing and splitting as the die punches into it.

New "laser-textured" steels, designed to give a high finish with minimum paint, are particularly difficult to "draw" without lubrication when using a normal cast-iron die, says Batie.

DMI is already working regularly with all the Japanese car manufacturers in Europe and Rover, Renault and Saab. It has reached differing stages of contact with several other groups, and has also chromed dies for the German pressings subcontractor Benteler.

The process has generated immense interest in the industry, says Batie, although this has not always been turned into business. Some companies still remember past difficulties with chromium-plated dies, or are tackling the problem differently by using specially-hardened cast iron.

But, in a European motor industry that has learnt so much from Japanese manufacturing techniques, the background to the process gives DMI credibility. Even in Germany, the motor industry's problems have forced engineers to become much more receptive to Japanese ideas.

The challenge for DMI, and for Paul Torday, chief executive of the parent company, is to work out how quickly to expand the service. The chromium-plating plants have to be reasonably close to the customers, yet each need several clients to be economical.

For this reason, and because effluent problems associated with the use of chromic acid and other chemicals used in chromium-plating make it difficult to obtain a licence for a new chromium-plating plant in Europe, Torday believes DMI is most likely to expand through acquisition or joint ventures. It is considering a plant near Paris and another in the south of France for the Italian market.

The new business could account for as much as half of DMI's turnover – currently £18m – in three to four years, excluding possible non-automotive markets such as white goods.

In search of quality

Claire Gooding looks at an automated product that aims to filter computer data for flaws

The principle "garbage in, garbage out" is a basic feature of computers. With the personal computer has come personal data, which has made things worse, not better.

Research carried out at Massachusetts Institute of Technology suggests that data stored in a spreadsheet such as Excel is generally unuseable by anyone other than its author. This is a chilling discovery because many organisations rely on data held in personal spreadsheets for critical decisions. It hardly matters how fast information is delivered to the screen, if the data is untrustworthy.

Everyone has stories about a stupid computer and the problems can usually be traced to human error – mis-keying – but more seriously, they result from systems design. For example, a parent who complained that British Waterways had tried to charge a 10-year-old the full price for his dinghy licence was told, "the computer can't tell he's a juvenile".

If that is so, then not only is the data incomplete, but the system design is at fault. The word "quality" appears in almost every annual report as an objective, or point of pride. Quality can be built into a car, by a process of training, evaluation and checking.

Applying the rule of quality to data is more difficult, and many systems have foundered on this. This was the conclusion of Robert P Goldberg, a professor at MIT's Sloan School of Management. Research at MIT proved the unreliability of data, not only personal, as in spreadsheets, but departmental. Goldberg, the co-developer of the Best/1 package which is used worldwide to measure and plan computer capacity performance, and his researchers have produced a piece of software to help measure "data quality".

This is a different job from validation of data, which is often done by screen checks that set parameters for the entry of certain values. Sometimes checks can be overwritten, but data can be corrupted by valid, but totally meaningless entries. Often, this happens when the person entering the data has no ultimate interest or responsibility – known as ownership – of the results.

A common cause of flaws is the "code that works". For instance, a data entry screen on a customer might ask for various items, including the SIC, or Standard Industry Code. The finance clerk entering the data is in a hurry to enter current values and find out about this month's late payers. The SIC code is irrelevant to the immediate task, but has to be entered, so the quick solution is to find any valid code that works – oil industry will do nicely – and keep entering it as a way of getting past the SIC field. The result is that some time later, the marketing department gets very excited about making such promising strides in the oil industry, and mounts a direct mail campaign, on totally inaccurate information.

Another common problem is a value field set up for one purpose, but used for another unrelated function, by some system of values or codes that means something to one department but not to anyone else. Goldberg and his MIT research team have plenty of horror stories, such as the airline that flew aircraft half-empty due to "phantom bookings" made by test data. The QDB Analyze software the team developed is aimed at improving data quality by applying some of the mechanical and engineering processes used in total quality management.

"There are no clean sheets any more. You might be sitting down with new software tools but old data derived from existing databases"

"Quality" depends upon a subjective evaluation in which accuracy, integrity, consistency, completeness and timeliness are all elements. "An increasing amount of information is becoming a fundamental part of decision making," says Ken Ledeen, chief executive officer of QDB Solutions, the company set up in Cambridge, Massachusetts, to market QDB Analyze worldwide. "It is dramatically increasing the visibility of inaccuracy. There are no clean sheets any more. You might be sitting down with new software tools but old data derived from existing databases."

What matters, says Ledeen, is the process behind the data. "There is no absolute definition of correct or accurate. The priorities have to be set according to the payoff, and that means determining what the system does and what the user needs from it."

He cites JP Morgan, the banking and investment institution in New York, whose expertise in risk management was undermined by poor quality data. The data on its credit-risk management database was only 60 per cent complete, and any user had to double-check. Using QDB Analyze, JP Morgan discovered the problem was one of accuracy taking precedence over timeliness. Timeliness is more important in risk management, because the users need to know immediately a transaction had taken place: they are less bothered whether it is worth $7m (£4.60m) or $7.5m.

Jonathan Kutchins, president of the Exeter Group, a consulting and software company in Cambridge, Mass is an enthusiastic user of QDB for his clients.

"QDB Analyze acts almost like a cleanser. It gives you statistics about your data over a period of time, but as well as overall metrics, it can, on request, provide actual instances of bad data," says Kutchins. "It's one thing to correct data, but another to correct the process that resulted in the flaw in the first place."

According to Kutchins, the PC-based product is easy to use, and capable of downloading large datasets – not just samples – from many different mainframe database products. QDB Analyze is one of a very few automated products available for data filtering.

People, not computers, used to do the job of "filtering data", a point particularly relevant in the recession-hit UK, according to Rick Marengo. He is the managing director of Softool Rack, the Wokingham-based software tools specialist recently appointed as the UK agent for QDB Solutions. "The middle managers simply are not there any more to filter out the rubbish" he says. "The accuracy of the data becomes paramount."

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Germany seeks 'green' currency meeting

By Our Commodities Staff

GERMANY HAS called for a moratorium on revaluations of the "green" currency rate at which European Community support prices are translated into D-Marks to protect its farmers from further cuts in earnings.

It also wants an emergency meeting of EC agriculture ministers to be called to discuss the operation of the green currency system in the aftermath of the crisis which undermined the community's exchange rate mechanism at the end of last month.

Government spokesman Mr Norbert Schaefer told a news conference in Bonn yesterday that Chancellor Helmut Kohl had asked the European Commission and the Belgian EC presidency to suspend revaluations of the green D-Mark pending the emergency meeting. He said Mr Jochen Borchert, Germany's agriculture minister, had requested the council meeting to discuss ways of averting damage to farmers whose national currencies had effectively been revalued as a result of the widening of fluctuation bands for currencies in the ERM to 15 per cent from August 2.

A Belgian government official told the Reuter news agency, however, that there would be no emergency meeting this week. "For the moment there is no reason to call such a meeting," he said. "Next week it is possible, but it all depends on the evolution of exchange rates and both the mark and guilder edged down a bit on Tuesday."

Asked if a meeting would be called if there was a drop in German green rates, the official said it was up to Mr Andre Bourgeois, the Belgian farm minister and current president of the EC farm council. But Mr Bourgeois was out of touch on holiday in Italy and had not yet been informed of the German request.

A commission official explained, meanwhile, that green rate changes were automatic and could not be suspended by the commission. "It's an automatic thing," he said. "There's nothing we can do about it even if we want to."

"The [green rate adjustment] regulation is a council regulation. It's up to the ministers if they want to change the regulation."

However, farming industry officials in Brussels said they thought that only the Dutch were likely to back the Germans in seeking a change in the system. They also suggested that Germany was playing to its farm audience rather than expecting any real change in the system.

Norway and Iceland in bitter fishing row

By Karen Fossli in Oslo

NORWAY AND Iceland have become embroiled in a bitter dispute over fishing rights in a huge undeclared zone in the Barents Sea where Arctic cod spawn. There are no signs yet of an end to the row after two days of discussions between the two Nordic countries.

A modern fleet of 21 Icelandic trawlers is expected to arrive in the disputed zone this week to join two vessels already there to fish Arctic cod in blatant defiance of their Norwegian counter-parts, who have threatened to destroy their nets unless they vacate the area.

Mr Johan Joergan Holst, the Norwegian foreign minister, this week failed to win assurances from Mr Jon Baldvin Hannibalsson, Iceland's foreign minister, to prevent his fisherman from exploiting the 62,400 sq km zone. The two ministers had been engaged in serious discussions over the dispute on Monday and Tuesday and the Icelandic government was split over what could or should be done in response to Norway's strong objections to fishing in the area.

The disputed area, which falls outside the jurisdiction of both Norway and Russia, is a major spawning ground for Arctic cod, which eventually make their way to both Norwegian and Russian waters and on which those countries' cod quotas are partly based. Norway not only fears that fishing by the Icelanders will set a precedent signifying the area is open to one and all but that it will also upset the spawning ground.

This could restrict or inhibit the cod growth development and, in the end, force Norway to reduce quotas, which it has been able cautiously to increase in recent years following positive results of stringent resource management during the 1980s.

NRK national radio reported from Iceland that a further 20 to 30 Icelandic trawlers also planned to head towards the disputed area if the cod catches proved sufficient to return a profit. One estimate put the value of a cod catch from the area by 15 vessels manned by less than 20 fisherman each at NKr100m (£9.1m).

Meanwhile, the Norwegian coast guard was stepping up surveillence of the area and using Orion type aircraft to monitor the Icelandic trawlers.

Norway claims that already this year some 470 tonnes of Arctic fish have been caught in the disputed area by six vessels registered under Caribbean flags. Last year two of the vessels, Norway claims, caught 2,178 tonnes of cod while in 1991 four vessels – two from Greenland and two from France – caught 1,570 tonnes.

CIS mining presents daunting challenges

By Kenneth Gooding, Mining Correspondent

THE COMMONWEALTH of Independent States represents the "last great frontier for minerals exploration and development" but there are daunting challenges facing any western company wanting to share in that development, according to a new Financial Times Management Report.

At the same time, every mining company needs to monitor very closely changes in the CIS's mining and economic policies so as to gauge accurately the total impact of new mining development on international commodity markets, says the author, Mr James Dorian.

The evidence suggests that at present much of the CIS metallurgical sector is in crisis, he says, with 25 to 40 per cent of the ferrous metal industry's capacity being idle, together with 40 to 65 per cent of non-ferrous capacity.

"With little or no experience in supervising mining development activities, the former republics are having to grapple with tremendous problems and difficulties historically handled at a distance by Moscow authorities," he adds.

Nevertheless, foreign mining companies are rushing to do business in the former Soviet Union because it possesses some of the largest reserves of oil, gas, gold and diamonds found anywhere in the world. The Russian Federation is by far the wealthiest of the new independent states, accounting for about 90 per cent of CIS oil output and most of the gold, diamonds, platinum and base metals production. As much as 40 per cent of the world's remaining reserves of crude oil are in the Russian province of Siberia.

After Russia, Ukraine and Kazakhstan are the next two wealthiest republics.

"The potential for further mineral discoveries in the new CIS is immense, with the most attractive areas occurring in the Russian Federation (Far East region and Siberia), Kazakhstan and the Caucasus region," the report adds.

However, although the republics are welcoming foreign technology and know-how, potential foreign investors may have to endure years of legal wrangling as fledgling mining laws are tested and ethnic groups dispute mineral rights.

They will also have to grapple with the local economic and technological problems.

Other barriers to foreign entry include the CIS's lack of information on industrial enterprises, poor infrastructure, unclear decision-making hierarchy, non-convertible, non-existent or new, untested currencies and conflicts over ownership rights to resources in numerous autonomous regions.

The report points out there are more than 200 ethnic groups in the new CIS and says minerals-rich Uzbekistan "has a high potential for inter-ethnic unrest, as does Kyrgyzstan and, to a lesser extent, Kazakhstan. Areas of possible conflict over mineral resource rights in Russia include the republic of Sakha (also known as Yakutia) and the autonomous regions and areas in western Siberia."

Mining in the CIS: Commercial Opportunities Abound: £288 in the UK, £298 or US$477 overseas, from FT Management Reports, 102 Clerkenwell Road, London, EC1M 5SA, UK.

Soviet Union Minerals Production in 1991 ('000 tonnes)

	Output	% world		Output	% world
Aluminium (primary)	2,300	12.2	Nickel (mine)	200	23.0
Bauxite	4,800	4.3	Nickel (smelter)	210	24.7
Copper (mine)	840	9.2	Tin (mine)	11	6.1
Copper (refined)	1,120	10.6	Tin (smelter)	12	6.2
Lead (mine)	460	13.8	Zinc (mine)	800	10.6
Lead (refined)	670	12.1	Zinc (smelter)	800	11.1

Kenyan tea output record forecast

KENYA'S tea production rose by 22.42m kg in the first half of 1993, compared with the same period last year, Reuter reports from Nairobi. The rise gave weight to predictions that a record output would be achieved by the end of the year, a leading brokerage firm said.

"The crop figure for the month of June 1993 has been announced at 17,053,611 kg, showing an increase of 2,836,090 kg or 19.95 per cent over the same period in 1992," said the Mombasa-based African Tea Brokers.

"The cumulative figure [for end-June] now stands at 113.42m kg – an increase of 22.42m kg or 24.64 per cent over last year," ATB said.

The brokers said that growing areas had reported low temperatures and isolated showers earlier this year, but it has recently warmed up.

The Kenya Tea Board forecast in March that output could rise to a record 210m kg in 1993, from 188.1m kg last year and 203.6m kg in 1991.

But the record estimate was threatened in the early months of the year by low temperatures, after scattered seasonal rain fell in all tea-growing areas.

ATB said that 161,188 packages were sold in four auctions at an average price of 102.66 Kenyan shillings ($1.57 at current prices) in June, compared with 189,200 packages at 57.10 shillings ($1.73 at last year's prices) in the same period last year.

Although auction prices have risen in local currency terms, devaluations of about 60 per cent since January have wiped out these gains in hard currency terms.

The brokers said the market for all teas declined with closing rates below opening levels in June, especially for brighter grades, because of selective buying from Britain and Pakistan – among the top buyers of Kenyan teas.

Tradition takes a back seat in mozzarella market

Sophie Roell on a victory for cows over buffaloes

THE MOZZARELLA cheese business has become one of the fastest growing agricultural foodstuff sectors in Italy. Production has increased threefold in the past five years and now sales are now generating an annual turnover of about L1,950bn (£820m).

The growing popularity of mozzarella inside Italy and abroad has placed the bulk of new demand on *fior di latte* – the cheaper and more industrially produced cows' milk version.

Only about 10 per cent of the market is held by what Italians consider the real mozzarella, made from buffalo milk. This differs from the cows' milk product in its more pronounced flavour and softer, fattier texture, as well as its porcelain white colour. Such special characteristics do not come cheap. Mozzarella made from buffalo milk costs roughly twice as much as ordinary mozzarella: usually L20,000 to L23,000 a kilogram, compared with L12,000 or less for the best cows' milk cheese.

Only as a result of intense lobbying was the cows' milk product allowed to call itself mozzarella in 1987. Buffalo milk producers bitterly resent this broadening of the product name and have been fighting a rear-guard action ever since.

With more than 90 per cent of buffalo-milk mozzarella produced in southern Italy, mostly on small-holdings, it is perhaps not surprising that the lobbying of the bigger and better organised northern dairy farmers won their case. Within the industry, it is also said that the growing mozzarella business was one element encouraging farmers to over-produce on Italy's European Community milk quota.

The limited amount of buffalo mozzarella produced each year will probably prevent it ever proving a serious threat to *fior di latte's* dominance. This is partly the result of natural factors: buffalo give most milk in winter, when mozzarella is not much eaten, and much less in summer when fresh cheeses are popular. This has led to a great deal of fraud, with cow's milk being substituted in summer in order to satisfy demand.

Buffalo farms are generally small – only about 100 have more than 200 animals – and as 75 per cent of buffalo mozzarella is made in the farm, the small scale of operations makes mechanisation expensive. Larger dairies have mechanised the entire process of cheese-making, as well as packaging, but if many small dairies have a machine for moulding the cheese, they carry out most other operations manually.

The fragmentation of production of the buffalo milk cheese inhibits a national network of distribution – in any case complicated because of the need for the product to be sold fresh. Between 30 and 35 per cent of buffalo mozzarella is sold directly to consumers at the dairy. Only 10 per cent reaches the north of Italy.

Mozzarella using cow's milk has been much more successful in establishing mass production, and 90 per cent of the market is held by four large companies: Galbani, Invernizzi, Locatelli and Kraft. Its production is almost entirely mechanised, while distribution is so efficient that a consumer survey by Largo Consumo found the cheese present even in small supermarkets 100 per cent of the time.

Nevertheless, according to Mr Alfredo Jemma, a big independent buffalo producer near Naples, "buffalo mozzarella may take only a small slice of the market, but she is queen". When the buffalo product is present, consumers are apt to pick it instead of ordinary mozzarella. Its craftsman-like quality is attractive to the modern consumer, keen to indulge in and prepared to pay substantially for the riches of what the Italian Ministry of Agriculture calls "a society immersed in alimentary well-being". Even the large buffalo dairies, which use machines, continue to make a certain quantity of cheese by hand to cater for this demand. Mr. Jemma explains: "It is an unbeatable method as far as quality is concerned".

As a result, even without the help of government or EC subsidies, small businesses have been able to survive through the popularity of the quality, high-value food they produce. Scale of operation is not so important. "You can make a good living with a dairy, even with 200 kg (per day)," comments Mr. Michele D'Amato, who sells mozzarella in the town of Eboli, just south of Naples.

The government has recognised the special qualities of buffalo mozzarella, even if it gave way on the trade denomination of mozzarella to include *fior di latte*. Negotiations are under way for the cheese to go a step further from its current status as a "typical" product and become a "DOC" (controlled origin) one. More important from the standpoint of the Italian dairy industry's fortunes within the EC, buffalo mozzarella will probably qualify as a DOC cheese.

Italy imports L1,665bn worth of cheese, but exports only L521bn worth because local production costs are so high. This also applies to *fior di latte*. At present, in fact, Luxembourg exports more mozzarella per head of population than Italy.

Buffalo mozzarella on the other hand falls within the bracket that constitutes the country's strength in the export field: typical, quality cheeses difficult to imitate abroad. The passage of mozzarella into EC consciousness will not be without problems, however. Popularity has brought problems in the form of hygiene regulations that seem to militate against traditionalism.

The EC is now pressing for the pasteurisation of buffalo milk, to the dismay of producers. Says Mr Jemma, who himself pasteurises his milk: "The best, the pure type of mozzarella is made with unpasteurised milk – what does the EC know about mozzarella?"

Exports of buffalo mozzarella require air transport to ensure top quality. This is particularly expensive because of the need for the cheese to be transport with liquid – at least a kilogram to every kilogram of mozzarella. Producers argue that in order to export successfully they will need a subsidy, and an application for this is now in progress.

Machine-made buffalo mozzarella lasts about five times longer than hand-made. Transportation without liquid also extends its shelf-life. Some companies vacuum pack their exports, in which case the mozzarella will last for more than 30 days.

However, producers tend to turn up their noses at the consumers of this type of product. In the south, mozzarella is considered no longer edible after two days and is used for pasta and pizza recipes. One producer who vacuum packs his cheese for consumption in the US, commented: "As far as I'm concerned, they're not eating mozzarella at all".

It seems then that buffalo farmers will aim for the top section of the market, and leave the bulk to the cheaper cows' milk product.

In spite of the complaints of producers, the widespread use of ordinary mozzarella has probably helped the buffalo type. Now the lesser product has been thoroughly absorbed into eating habits, people will be prepared, perhaps, to pay dearly for the very best.

WORLD COMMODITIES PRICES

MARKET REPORT

Robusta COFFEE futures continued to surge at the London Commodity Exchange yesterday as signs of a pick-up in roaster interest added to the buoyant mood encouraged by news earlier in the week that African producers would join in the export retention scheme adopted by their Latin American counterparts. The November position closed at $1,215 a tonne, up $39 on the day, taking the rise on the week so far to $93. London COCOA futures were boosted by the New York market's break through stubborn resistance, but the sterling-denominated market was held back by the pound's firmness. At the London Metal Exchange ALUMINIUM provided the main feature as a battle developed around a key support level of $1,170 a tonne for three months metal. It managed to close 50 cents above that level operators trying to trigger US investment fund liquidation were countered by equally determined buyers. NICKEL took an early fall to a new six-year low of $4,640 as speculative selling and trade hedging of Russian metal continued. But it steadied on short-covering.

Compiled from Reuters

London Markets

SPOT MARKETS

Crude oil (per barrel FOB)(Oct)		+ or -
Dubai	$14.65-4.70u	-0.22
Brent Blend (dated)	$16.61-6.62u	-.275
Brent Blend (Oct)	$16.90-6.91	-.265
W.T.I (1 pm est)	$18.04-8.08u	-.365
Oil products (NWE prompt delivery per tonne CIF)		+ or -
Premium Gasoline	$192-194	-1
Gas Oil	$162-164	+0.5
Heavy Fuel Oil	$61-62	
Naphtha	$161-162	-1
Petroleum Argus Estimates		
Other		+ or -
Gold (per troy oz)♣	$373.20	+0.50
Silver (per troy oz)♣	471.00c	-2.50
Platinum (per troy oz)	$388.00	+0.75
Palladium (per troy oz)	$138.25	
Copper (US Producer)	90.50c	
Lead (US Producer)	34.63c	
Tin (Kuala Lumpur market)	12.23m	+0.07
Tin (New York)	223.5c	+1.5
Zinc (US Prime Western)	62.00c	
Cattle (live weight)†	130.72p	-0.19*
Sheep (live weight)†♦	85.73p	-4.84*
Pigs (live weight)†	70.96p	-1.33*
London daily sugar (raw)	$244.2	+4.2
London daily sugar (white)	$289.0	+4.2
Tate and Lyle export price	£274.0	+3.0
Barley (English feed)	Unq	
Maize (US No. 3 yellow)	£169.5	
Wheat (US Dark Northern)	£147.0	
Rubber (Sep)¶	59.75p	-0.75
Rubber (Oct)¶	60.75p	-0.25
Rubber (KL RSS No 1 Jul)	211.5m	+0.5
Coconut oil (Philippines)§	$457.5x	-5.0
Palm Oil (Malaysian)§	$357.5u	
Copra (Philippines)§	$293.0	
Soyabeans (US)	£198.0	+1.0
Cotton "A" index	54.80	-0.10
Wooltops (64s Super)	349p	

£ a tonne unless otherwise stated. p-pence/kg. c-cents/lb. r-ringgit/kg. y-Jul. z-Aug. v-Sep/Oct u-Oct t-Oct/Dec x-Aug/Sep ¶London physical. §CIF Rotterdam. ♣ Bullion market close. m-Malaysian cents/kg. ♦Sheep prices are now live weight prices. * change from a week ago, provisional prices.

SUGAR – LCE ($ per tonne)

White	Close	Previous	High/Low
Oct	258.80	256.80	259.00 255.50
Dec	256.00	255.00	256.50 254.00
Mar	257.40	258.70	257.50 255.00
May	259.90	259.20	259.90 258.00
Aug	265.10	264.30	265.10
Oct	256.40	255.80	258.40 255.00
Dec	257.90		258.00 257.00

White 1288 (929) Paris- White (FFr per tonne): Oct 1521.17 Dec 528.71

CRUDE OIL – IPE $/barrel

	Latest	Previous	High/Low
Oct	16.94	17.09	17.09 16.88
Nov	17.13	17.31	17.25 17.08
Dec	17.30	17.46	17.41 17.25
Jan	17.45	17.63	17.58 17.45
Mar	17.75	17.72	17.75
IPE Index	17.08	16.99	

Turnover 16000 (25568)

GAS OIL – IPE $/tonne

	Close	Previous	High/Low
Sep	161.75	161.75	162.00 161.00
Oct	164.00	164.50	164.50 163.25
Nov	166.00	166.50	166.50 165.75
Dec	168.25	168.50	168.75 167.75
Jan	169.75	170.00	170.00 169.00
Feb	169.50	169.25	169.50
Apr	165.50	166.00	165.50
Jun	163.50	164.25	164.00 163.50

Turnover 5500 (9043) lots of 100 tonnes

WOOL

Prices at Australian sales this week eased again, and the pace of the decline accelerated a little. The AWC market indicator was only 2 cents down at 430 cents a kilogram on August 18 but fleece wool eased in the 5 to 10 cent range. Trade comment mentions the Garnaut wool report, published last week, as an additional reason for market dullness. A fixed schedule for stockpile disposal by tender raises new uncertainties in a trade already unhappy about the inadequacy of world demand to absorb current production and stocks.

COCOA – LCE £/tonne

	Close	Previous	High/Low
Sep	760	756	760 751
Dec	782	779	784 774
Mar	802	799	803 794
May	812	809	812 807
Jul	819	817	822 819
Sep	828	827	832 831
Mar	855	850	855 850
May	864		866

Turnover: 4168 (315) lots of 10 tonnes
ICCO indicator prices (SDRs per tonne). Daily price for Aug 17 783.82 (786.51) 10 day average for Aug 18 748.82 (747.25)

COFFEE – LCE $/tonne

	Close	Previous	High/Low
Sep	1228	1208	1235 1180
Nov	1215	1176	1220 1162
Jan	1194	1149	1193 1137
Mar	1171	1134	1156 1122
May	1146	1126	1128

Turnover: 6878 (6116) lots of 5 tonnes
ICO indicator prices (US cents per pound) for Aug 17 Comp. daily 66.14 (65.73) 15 day average 65.58 (65.28)

POTATOES – LCE £/tonne

	Close	Previous	High/Low
Mar	77.6		77.8
Apr	77.5	75.9	77.9 76.3

Turnover 144 (166) lots of 20 tonnes.

SOYAMEAL – LCE £/tonne

	Close	Previous	High/Low
Oct	-	186.50	

Turnover 0 (95) lots of 20 tonnes.

FREIGHT – LCE $10/index point

	Close	Previous	High/Low
Aug	1441		1445 1440
Sep	1480	1483	1490 1479
Oct	1495	1500	1515 1495
Nov	1510	1515	1525 1510
Jan	1515	1525	1530 1515
Apr	1545	1548	1545
BFI	1413	1395	

Turnover 426 (197)

GRAINS – LCE £/tonne

Wheat	Close	Previous	High/Low
Sep	104.75	104.75	105.00 104.75
Nov	106.30	106.45	106.30 106.00
Jan	108.30	108.45	108.40 108.00
Mar	110.45		110.45 110.15
May	112.50	112.50	112.50 112.50
Barley	**Close**	**Previous**	**High/Low**
Sep	100.15	100.05	100.15
Nov	102.90	103.15	103.00
Jan	105.10	105.40	105.25 105.10
Mar	107.25		107.25

Turnover: Wheat 406 (348) Barley 35 (137).
Turnover lots of 100 Tonnes.

PIGS – LCE (Cash Settlement) p/kg

	Close	Previous	High/Low
Aug	-	98.00	

Turnover 0 (0) lots of 3,250 kg

LONDON METAL EXCHANGE (Prices supplied by Amalgamated Metal Trading)

	Close	Previous	High/Low	AM Official	Kerb close	Open Interest
Aluminium, 99.7% purity ($ per tonne)						Total daily turnover 47,537 lots
Cash	1146.5-7.5	1164-5		1148-9		
3 months	1170-1	1187.5-8.0	1185/1168	1172-2.5	1172-2.5	233,014 lots
Copper, Grade A ($ per tonne)						Total daily turnover 47,298 lots
Cash	1926-30	1938.5-9.0	1929/1923	1923-4		
3 months	1898-9	1908-9	1904/1897	1900-1	1898-900	193,666 lots
Lead ($ per tonne)						Total daily turnover 4,191 lots
Cash	387-8	387-8		384-4.5		
3 months	400-1	400-1	400/397.5	397-8	399-400	24,822 lots
Nickel ($ per tonne)						Total daily turnover 6,394 lots
Cash	4615-20	4650-60		4590-5		
3 months	4670-5	4705-10	4690/4620	4645-50	4670-5	44,660 lots
Tin ($ per tonne)						Total daily turnover 2,785 lots
Cash	4805-15	4825-35		4780-5		
3 months	4860-70	4880-5	4880/4835	4840-5	4880-5	10,954 lots
Zinc, Special High Grade ($ per tonne)						Total daily turnover 19,108 lots
Cash	868.5-9.5	868.5-9.5	885.5	865.5-6.0		
3 months	882-3	882.5-3.0	884/879	879.5-80.0	884-5	78,199 lots

LME Closing £/$ rate:
SPOT: 1.5126 3 months: 1.5029 6 months: 1.4983 9 months: 1.4908

Copper and lead prices are now expressed in dollars per tonne

LONDON BULLION MARKET
(Prices supplied by N M Rothschild)

Gold (troy oz)	$ price	£ equivalent
Close	373.00-373.40	
Opening	372.75-373.25	
Morning fix	372.85	249.448
Afternoon fix	373.70	248.987
Day's high	374.00-374.50	
Day's low	372.00-372.80	

Loco Ldn Mean Gold Lending Rates (Vs US$)

1 month	2.61	6 months	2.58
2 months	2.58	12 months	2.61
3 months	2.58		

Silver fix	p/troy oz	US cts equiv
Spot	314.60	469.25
3 months	319.15	472.80
6 months	323.25	476.90
12 months	331.40	485.30

GOLD COINS

	$ price	£ equivalent
Krugerrand	372.50-375.50	252.00-254.00
Maple leaf	384.20-386.65	-
New Sovereign	88.00-91.00	59.00-61.00

TRADED OPTIONS

Aluminium (99.7%)	Calls		Puts	
Strike price $ tonne	Oct	Jan	Oct	Jan
1175	18	46	30	34
1200	10	34	47	47
1225	5	24	66	62
Copper (Grade A)	**Calls**		**Puts**	
1900	45	71	46	81
1950	25	51	76	110
2000	13	35	113	144
Coffee	**Sep**	**Nov**	**Sep**	**Nov**
1150	78	109	-	44
1200	30	81	2	66
1250	3	60	25	95
Cocoa	**Sep**	**Dec**	**Sep**	**Dec**
725	35	72	-	15
750	11	54	1	22
775	-	40	15	33
Brent Crude	**Oct**	**Nov**	**Oct**	**Nov**
1700	31	67	19	54
1750	12	45	36	-
1800	3	30	59	-

New York

GOLD 100 troy oz.; $/troy oz.

	Close	Previous	High/Low	
Aug	374.3	371.6	372.5	372.5
Sep	374.8	372.1	0	0
Oct	375.7	373.0	375.9	372.7
Dec	377.5	374.9	377.7	374.7
Feb	379.3	376.7	379.3	377.3
Apr	381.0	378.4	381.2	380.0
Jun	382.8	380.2	0	0
Aug	384.6	382.0	0	0
Oct	386.4	383.8	0	0

PLATINUM 50 troy oz; $/troy oz.

	Close	Previous	High/Low	
Aug	390.4	387.6	0	0
Oct	391.4	388.6	391.8	388.0
Jan	392.6	389.7	392.0	391.0
Apr	393.6	391.2	393.5	391.2
Jul	394.6	391.7	0	0

SILVER 5,000 troy oz; cents/troy oz.

	Close	Previous	High/Low	
Aug	470.5	469.6	0	0
Sep	471.0	470.5	474.0	467.0
Oct	472.4	471.9	0	0
Dec	475.6	475.0	479.0	471.0
Jan	475.9	475.4	0	0
Mar	480.3	479.9	483.5	478.0
May	483.7	483.3	0	0
Jul	486.9	486.5	487.5	485.5
Sep	490.3	489.9	0	0
Dec	494.5	495.1	494.5	494.5

HIGH GRADE COPPER 25,000 lbs; cents/lbs

	Close	Previous	High/Low	
Aug	83.55	84.35	84.00	83.50
Sep	83.55	84.35	84.45	83.50
Oct	83.65	84.40	84.10	84.05
Nov	83.75	84.45	0	0
Dec	83.85	84.50	84.60	83.80
Jan	84.05	84.70	0	0
Feb	84.25	84.90	0	0
Mar	84.45	85.10	84.70	84.40
Apr	84.60	85.25	0	0
May	84.80	85.45	85.50	85.50

CRUDE OIL (Light) 42,000 US galls $/barrel

	Latest	Previous	High/Low	
Sep	17.64	17.92	17.99	17.58
Oct	18.10	18.35	18.43	18.03
Nov	18.38	18.63	18.63	18.34
Dec	18.61	18.81	18.81	18.55
Jan	18.77	18.95	18.90	18.72
Feb	18.88	19.07	19.08	18.90
Mar	19.00	19.17	19.07	19.00
Apr	19.18	19.24	0	0
May	19.15	19.31	19.15	19.15
Jun	19.20	19.37	19.27	19.20

HEATING OIL 42,000 US galls, cents/US galls

	Latest	Previous	High/Low	
Sep	52.35	52.91	52.90	52.10
Oct	53.45	53.90	53.70	53.15
Nov	54.35	54.85	54.65	54.10
Dec	55.35	55.80	55.65	55.20
Jan	56.00	56.50	56.35	55.85
Feb	56.25	56.70	56.45	56.20
Mar	55.35	55.95	55.65	55.35
Apr	54.50	54.80	54.50	54.40
May	53.50	54.00	53.70	53.50
Jun	53.25	53.55	53.25	53.25

COCOA 10 tonnes;$/tonnes

	Close	Previous	High/Low	
Sep	987	968	988	948
Dec	1038	1012	1041	1005
Mar	1074	1047	1075	1040
May	1090	1065	1091	1065
Jul	1110	1085	0	0
Sep	1140	1105	1140	1132
Dec	1151	1133	1154	1145
Mar	1174	1156	0	0
May	1194	1174	1185	1175

COFFEE "C" 37,500lbs; cents/lbs

	Close	Previous	High/Low	
Sep	72.25	71.00	73.00	70.25
Dec	75.35	74.00	76.10	73.25
Mar	77.65	76.35	78.30	75.70
May	78.60	77.35	79.10	77.10
Jul	81.00	78.65	79.75	79.75
Sep	82.00	79.50	82.00	80.45
Dec	85.25	84.15	0	0

SUGAR WORLD "11" 112,000 lbs; cents/lbs

	Close	Previous	High/Low	
Oct	9.38	9.39	9.39	9.13
Mar	9.50	9.48	9.50	9.32
May	9.60	9.58	9.60	9.47
Jul	9.67	9.65	9.67	9.65
Oct	9.72	9.67	9.72	9.72

COTTON 50,000 lbs; cents/lbs

	Close	Previous	High/Low	
Oct	55.27	54.58	55.30	54.66
Dec	56.28	55.63	56.30	55.70
Mar	57.78	57.15	57.78	57.30
May	58.39	57.85	58.23	58.09
Jul	58.95	58.60	59.00	58.70
Oct	59.90	59.59	0	0
Dec	60.05	59.85	0	0

ORANGE JUICE 15,000 lbs; cents/lbs

	Close	Previous	High/Low	
Sep	115.15	116.75	117.15	115.15
Nov	118.15	119.80	120.30	118.15
Jan	119.95	121.70	121.85	119.90
Mar	121.45	123.20	122.75	121.00
May	122.45	123.95	123.25	123.25
Jul	123.05	124.45	0	0
Sep	121.05	122.45	0	0
Nov	121.05	122.45	0	0
Jan	121.05	122.45	0	0

INDICES

REUTERS (Base: September 18 1931 = 100)

Aug.18	Aug 17	mnth ago	yr ago
1645.4	1623.0	1701.9	1529.2

DOW JONES (Base: Dec. 31 1974 = 100)

	Aug.17	Aug 16	mnth ago	yr ago
Spot	123.80	123.66	123.04	115.84
Futures	125.18	125.56	127.80	115.96

Chicago

SOYABEANS 5,000 bu min; cents/60lb bushel

	Close	Previous	High/Low	
Aug	657/4	658/0	667/0	657/0
Sep	658/4	658/4	668/0	656/4
Nov	658/4	658/2	666/4	655/4
Jan	661/4	662/2	670/4	661/0
Mar	665/2	666/6	674/0	665/0
May	666/6	667/2	674/4	666/4
Jul	667/6	668/2	676/0	667/4
Aug	663/0	662/0	671/0	664/0

SOYABEAN OIL 60,000 lbs; cents/lb

	Close	Previous	High/Low	
Aug	23.15	23.13	23.43	23.16
Sep	23.18	23.18	23.49	23.18
Oct	23.33	23.33	23.64	23.33
Dec	23.54	23.55	23.86	23.52
Jan	23.65	23.67	23.98	23.65
Mar	23.83	23.80	24.17	23.83
May	23.90	23.85	24.23	23.90
Jul	23.95	23.86	24.20	23.96

SOYABEAN MEAL 100 tons; $/ton

	Close	Previous	High/Low	
Aug	218.0	217.0	221.0	217.0
Sep	213.3	213.0	215.8	212.8
Oct	210.1	210.3	212.8	209.3
Dec	208.7	209.1	211.8	208.1
Jan	207.5	208.3	210.7	207.5
Mar	207.0	208.2	210.6	207.0
May	208.3	207.2	209.3	208.0
Jul	205.5	206.7	209.2	205.5

MAIZE 5,000 bu min; cents/56lb bushel

	Close	Previous	High/Low	
Sep	236/4	238/0	239/4	236/2
Dec	242/0	243/0	245/2	241/6
Mar	249/6	250/0	252/2	249/2
May	254/0	254/4	256/6	254/0
Jul	256/2	256/6	258/6	256/0
Sep	249/2	249/0	251/0	248/4
Dec	242/0	243/0	244/2	241/4

WHEAT 5,000 bu min; cents/60lb-bushel

	Close	Previous	High/Low	
Sep	310/4	315/0	316/6	309/4
Dec	315/6	322/4	324/4	315/4
Mar	317/2	323/4	325/4	317/0
May	311/4	317/0	316/4	311/0
Jul	299/2	302/4	304/0	298/4
Sep	303/2	308/4	0	0
Dec	311/2	314/4	0	0

LIVE CATTLE 40,000 lbs; cents/lbs

	Close	Previous	High/Low	
Aug	75.100	75.050	75.275	75.000
Oct	74.825	74.475	75.075	74.500
Dec	75.600	75.250	75.750	75.325
Feb	76.050	75.675	76.125	75.725
Apr	76.975	76.700	77.150	76.700
Jun	73.750	73.500	74.000	73.750
Aug	72.400	72.175	72.650	72.400

LIVE HOGS 40,000 lb; cents/lbs

	Close	Previous	High/Low	
Aug	50.475	50.400	50.525	49.850
Oct	46.100	45.575	46.125	45.200
Dec	45.800	45.275	45.875	45.025
Feb	45.475	45.050	45.650	44.875
Apr	44.350	43.800	44.375	43.725
Jun	49.300	48.800	49.300	48.800
Jul	48.300	47.900	48.350	47.850
Aug	46.800	46.750	46.800	46.650

PORK BELLIES 40,000 lbs; cents/lb

	Close	Previous	High/Low	
Aug	42.450	42.450	42.750	40.450
Feb	49.025	47.625	49.250	48.600
Mar	48.100	47.000	48.550	46.350
May	49.000	47.756	49.700	47.800
Jul	50.250	49.400	50.250	48.900
Aug	49.850	49.950	49.950	48.350

New Footsie peak on overseas buying

By Terry Byland, UK Stock Market Editor

A SUDDEN rush of overseas buying caught the UK stock market by surprise yesterday and drove share prices to new all-time peaks. Marketmakers struggled with a shortage of stock now of severe proportions, while record trading in both traded options and the September Footsie future indicated the rush by fund managers to climb aboard the rising *stock market.*

Equity prices opened higher and, in spite of a weaker government bond market, moved ahead strongly throughout the session. At best, the FT-SE 100 Index touched a new trading peak of 3,076.2, before settling to a closing high of 3,073.6; the day's gain of 48.6 was the largest daily rise since January 26 this year. The FT-SE Mid 250 Index climbed 29 points to a new peak of 3,494.9.

"There was substantial overseas investment in UK equities yesterday," said Mr Nigel Little of Panmure Gordon. Dealers reported heavy US demand for UK equities, and the attractions of the UK market were supported by a global strategy note from Nomura International, which was believed to have operated a buy programme in UK equities.

"Don't be long Japan . . . don't be short Hong Kong, UK, US and Mexico," was the advice to clients from Mr Nicholas Knight, the Nomura strategist who remains committed to his forecast of a Footsie reading of 3,500 at end-1993.

Mr Knight sees London as attractive for foreign investors because of its perceived recovery in the economy and in corporate earnings, as well as falling interest rates and a firm currency.

The announcement yesterday of a rise of only 1.4 per cent in UK retail prices and a decline of 0.2 per cent in retail sales in July left views on the economy little changed, but the firmness of sterling underlined optimism on interest rates. However, UK equities lacked encouragement from the domestic government bonds, which yesterday saw a reversal of the firmer tone of recent sessions.

Further strong rises in the drugs stocks as US investors regained confidence in the sector provided a sound platform for the advance in the Footsie index. But domestic retail shares responded to the market's confidence that interest rates will fall again soon by moving ahead in good volume.

Favourable views of the UK Monopolies and Mergers Commission ruling on British Gas overflowed to benefit other utility issues.

Seaq volume increased sharply to 887.1m shares, close behind the year's record of 908.2m registered less than a week ago. Tuesday's Seaq turnover of 638.5m shares, when the Footsie gained 16.7, was worth £1.43bn in retail value, confirming that investors continued to take the bull tack.

Domestic confidence in the UK equity market has been reinvigorated by this week's news that Britain's public sector deficit was below expectations last month, buttressing hopes that the UK government is under less pressure to raise taxes in its November Budget.

Equity traders were prepared to brush off the slower trend in UK government bonds yesterday, dismissing this as little more than expected profit-taking. A rising bond market has provided the background for the advance in UK equities which, NatWest Securities has commented, are no more expensive relatively than they were several weeks ago.

TRADING VOLUME IN MAJOR STOCKS

	Volume 000's	Closing Price	Day's change
ASDA Group†	19,000	64½	+2
Abbey National†	3,800	402	+1
Albert Fisher	898	70	
Allied-Lyons†	3,500	599	+13
Anglian Water†	586	531	+8
Argos	349	327	+3
Argyll Group†	8,400	342	+13
Arjo Wiggins†	1,800	195	-5
Assoc. Brit. Foods†	289	527	+17
Ass. Brit. Ports	498	482	+2
BAA†	1,100	782	+11
BAT Inds.†	8,500	494	+10
BET	3,500	125	-½
BICC	4,000	403	-14
BOC†	3,100	854	+11
BP†	6,000	302	+½
BPB Inds.	14,000	252½	+4½
BT†	11,000	428½	+3½
BT (F/Pd)	10,000	184½	+1½
BTR†	8,100	408	+8
Bank of Scotland†	2,400	170	-1½
Barclays†	7,500	472	-5
Bass†	3,600	506	+20
Blue Circle†	2,800	276	
Booker	131	445	+4
Boots†	2,900	490½	+15½
Bowater†	2,200	495	+12
Brit. Aerospace†	2,500	468	+13
British Airways†	2,800	353	+3
British Gas†	18,000	335½	+8
British Land	928	369	+6
British Steel†	7,200	114½	-2½
Bunzl	124	133	
Burmah Castrol†	156	788	+3
Burton	8,800	88	+2
Cable & Wire.†	2,400	848	+10
Cadbury Schweppes†	4,500	491	+19
Calor Group	41	249	-3
Carlton Comms.†	483	795	+6
Coats Viyella†	1,500	242	
Comm. Union†	2,700	621	-6
Cookson	2,900	233	+2
Courtaulds†	1,200	589	+5

	Volume 000's	Closing Price	Day's change
Dalgety	709	488	-1
De La Rue†	677	895	
Dixons	1,100	227	+5
Eastern Elect.	213	531	+1
East Midland Elect.	312	529	+6
Eng China Clays	1,200	463	+8
Enterprise Oil†	1,200	432	-7
Eurotunnel Units	215	466	+2
FKI	487	151½	+1½
Fisons	3,800	179	+3
Foreign & Col. I.T.	2,000	257	+2
Forte†	2,400	238½	+3½
Gen. Accident†	1,300	698	
General Elect.†	6,100	346	+2
Glaxo†	[illegible]	[illegible]	[illegible]
Glynwed Int.	[illegible]	[illegible]	[illegible]
Granada†	[illegible]	[illegible]	[illegible]
Grand Met.†	[illegible]	[illegible]	[illegible]
GUS A†	[illegible]	[illegible]	[illegible]
GRE†	[illegible]	[illegible]	[illegible]
GKN	[illegible]	[illegible]	[illegible]
Guinness†	[illegible]	[illegible]	[illegible]
HSBC (75p shs)†	4,900	784	-8
Hammerson 'A'	1,000	362	+6
Hanson†	30,000	259¾	+6¼
Harrisons Crosfield	1,000	198	+2
Hillsdown	3,700	166	+5
IMI	903	311	+5
ICI†	1,800	696	+7
Inchcape†	3,200	549	+13
Johnson Matthey	325	488	-2
Kingfisher†	643	678	+8
Kwik Save	1,000	723	+13
Ladbroke†	10,000	215½	+8½
Land Securities†	2,300	680	+5½
Laporte	312	840	+5
Legal & General†	1,100	480	+9
Lloyds Abbey	1,600	435	+2
Lloyds Bank†	5,700	545	
LASMO	8,100	134	
London Elect.	1,200	533	+2
Lonrho	1,900	129	+2½
Lucas	3,200	162	+6

	Volume 000's	Closing Price	Day's change
MB Caradon†	2,500	319	+8
MEPC	2,309	498	+4
MFI	3,900	139	+2
Manweb	494	580	+2
Marks & Spencer†	8,100	378	+6½
Midlands Elect.	141	956	+4
Morrison (Wm.)	279	153	
NFC†	1,000	258	+4
NatWest Bank†	8,100	481	+1
National Power†	4,500	363½	+5½
Next	1,700	208	+6
North West Water†	1,200	531	+2½
Northern Elect.	19	580	+2
Northern Foods†	2,000	272	+4
[illegible]	[illegible]	[illegible]	[illegible]
Racal	725	247	+10
Rank Org.†	1,600	792	-7
Reckitt & Colman†	2,000	608	+23
Redland†	1,300	570	+6
Reed Intl.†	1,100	685	+8
Rentokil†	1,200	204	+2
Reuters†	650	1560	+11
Rolls Royce	11,000	160½	-1
Rothmans†	2,500	694	+23
Ryl Bk Scotland†	3,400	252	+1
Royal Insurance†	3,300	329	-2
Saatchi	2,900	166	+3
Sainsbury†	2,700	605½	+12½
Scottish & New.†	1,500	483	+10
Scot. Hydro-Elect.†	622	372½	+3½
Scottish Power†	2,400	352	+2
Sears†	10,000	114	+5
Sedgwick	4,700	194	+7
Seeboard	82	560	+3
Severn Trent Water†	382	537	+5
Shell Transport†	3,600	862	+1

	Volume 000's	Closing Price	Day's change
Siebe†	717	554	+4
Slough Ests	2,400	236	-1
Smith (W.H.) A	583	479	+10
Smith & Nephew†	3,300	148½	+2
SmKl Beecham†	5,300	466¼	+18½
SmKl Beecham Uts.†	5,500	410½	+14½
Smiths Inds.	977	395	
Southern Elect.	584	545	+2
South Wales Elect.	189	610	+5
South West Water	228	562	+4
South West. Elect.	44	544	+2
Southern Water	987	558	+4
Standard Chartd.†	1,500	989	+6
Storehouse	3,800	223	+1
[illegible]	[illegible]	[illegible]	[illegible]
Thames Water†	1,400	537	+4
Thorn EMI†	1,500	552	+15
Tomkins†	4,100	234	+6
Trafalgar House	4,200	109	+1½
Unigate	230	389	+9
Unilever†	1,600	1059	+34
United Biscuits†	5,400	338	+9
Utd. Newspapers	547	568	+6
Vodafone†	6,300	548	+16
Warburg (SG)†	793	805	+22
Wellcome†	8,000	733	+55
Welsh Water	315	635	+12
Wessex Water	122	637	+4
Whitbread 'A'†	1,200	519½	+11½
Williams Hldgs.†	706	345	+5
Willis Corroon	2,100	226	-1
Wimpey	1,100	191	+4
Wolseley†	154	655	+5
Yorkshire Elect.	565	564	+8
Yorkshire Water	1,500	553	+11
Zeneca†	9,500	605	+32

Based on the trading volume for a selection of Alpha securities dealt through the SEAQ system yesterday until 4.30pm. Trades of one million or more are rounded down. † Indicates an FT-SE 100 Index constituent.

Account Dealing Dates

*First Dealings:	Aug 2	Aug 16	Sep 6
Option Declarations:	Aug 12	Sep 2	Sep 16
Last Dealings:	Aug 13	Sep 3	Sep 17
Account Day:	Aug 23	Sep 13	Sep 27

*New time dealings may take place from two business days earlier.

FT-SE Actuaries Share Indices — THE UK SERIES

FT-SE 100	FT-SE MID 250	FT-A ALL-SHARE
3073.6 +48.6	3494.9 +29.0	1524.33 +21.13

[illegible]

Hourly movements

[illegible]

FT-SE Actuaries 350 Industry Baskets

[illegible]

Drugs up on US demand

DRUG STOCKS led the market higher for a second day as American investor enthusiasm showed no sign of abating. Yesterday, Wellcome was the star perfomer, the shares surging 55 to 733p in hefty turnover of 7.9m, its highest daily volume in six months. Zeneca, the former bioscience arm of ICI, was also in sparkling form, the shares appreciating 32 to 675p. Turnover there was a heavy 8.7m. Glaxo, which had led the surge on Tuesday with a 36½p rise, climbed a further 31 yesterday with even higher turnover of 12m shares traded. SmithKline Beecham also showed a sharp gain, finishing 18¼ stronger at 466¼p.

American investors were still responding positively to the speech made on Monday by President Clinton in which he failed to mention drug price cuts – an issue casting a cloud over the sector in recent months – as part of his healthcare reforms. The president's omission was taken as a signal by some on Wall Street that pharmaceuticals will escape any punitive financial regulation when the White House plans are announced later this year.

Analysts were also continuing to point out yesterday the relative underperformance of the leading drugs shares, and that even after yesterday's gains they still looked good value. Mr John Aldersley at Smith New Court said: "No-one likes to see stocks move this fast, but even after today's rise, they are still down on six months ago." He remains a buyer of Wellcome and SmithKline, although less positive on Glaxo.

Rank depressed

Fears that Rank Organisation will suffer if more British holidaymakers go abroad next year prompted two brokers to turn sellers of the stock. Both tour operator Thomson and Thomas Cook, the travel agent, forecast a 10 per cent growth in the package holiday market for 1994 as they launched their new brochures this week.

NatWest Securities and Hoare Govett were both pointing out that Rank's domestic holiday business, encompassing the Butlins and Haven-Warner chains, could be hit as a result. While NatWest was advising investors to take profits – the shares having performed strongly in the last quarter – Hoare was recommending a switch into Thorn EMI.

Mr Hamish Dickson, leisure analyst at Hoare, said that in contrast, Thorn's recent underperformance had been overdone and that the stock also held yield attractions. He added that recent music industry figures showed the potential recovery in the European market and that Thorn was ideally placed to exploit it.

Thorn shares had been badly hit two weeks ago by the group's decision to redeem a preference issue early, which could have left around 11m shares in the group overhanging the market. Hoare claims that its latest research suggests it is now unlikely to be higher than 7m. Thorn shares climbed 15 to 952p.

Sun Alliance slips

The composite insurance area of the market was rife with rumours of an imminent rights issue, with marketmakers plumping for a big issue from Sun Alliance and moving the share price lower as the session progressed.

At the close, Sun Alliance were fractionally easier at 396p, after relatively good turnover of 3m shares. The rest of the composite sector was also under as the cash-call stories circulated.

The rights issue talk was embellished with precise details of the terms of the issue – said to be a one-for-six at 345p to raise around £500m. Most analysts disregarded the suggestions, saying that Sun Alliance has once of the highest solvency ratios among the UK composites and that its balance sheet had been boosted, along with other insurance groups, by the upsurge in UK equities and gilts in the past few months.

Sun Alliance is scheduled to report interims early next month, with brokers forecasting that the group will achieve profits in the region of £50m compared with a loss of almost £98m in the same period last year.

Guardian Royal Exchange was also mentioned as likely to ask shareholders for cash. GRE's interim results are scheduled for August 26 with the company forecast to report profits of around £60m against a £39m loss.

Sedgwick "old" fell to 194p ex-rights with the new shares finally quoted at 23p after Transamerica, the US insurance group was thought to have sold its nil-paid rights into the market. A block of just over 23m new nil-paid shares were sold to one marketmaker at 17p and placed in the market at 18p.

Britannic Assurance rose sharply, closing 10 higher at 442p, after the increased inteirm dividend.

The banks sector was one of the few areas of the market to encounter heavy investor resistance to the upsurge in share prices. "There is an increasing feeling that the sector has already run ahead of itself and is due a correction," said one banks specialist. HSBC, one of the star performers in the financials area over the past year, ran into a flurry of profit-taking, closing 8 off at 764p on turnover of 4.9m shares. Barclays also attracted persistent selling, settling 5 off at 472p on 7.5m traded.

Standard Chartered continued to defy intermittent bouts of selling pressure, responding instead to forecasts of oustanding earnings per share growth in the current year and settling 6 higher at 989p, after touching a record 994p at one point.

Merchant banks, the best performing sector of the stock market since the UK withdrew from the ERM last September, resumed their upward path, led by SG Warburg, 20 higher at 820p, and Kleinwort Benson, 6 up at 499p.

British Gas continued to attract large scale buying interest after the Monopolies and Mergers Commission report into the gas industry which is increasingly being viewed by the big institutions as as good an outcome as the market could have hopes for. British Gas shares jumped 8 more to 335½p with turnover a hefty 19m shares.

Enterprise Oil, a poor market since last week's resignation of Mr John Walmsley, the highly-rated finance director, came under renewed selling pressure and fell 7 more to 432p with the big institutions said to have been switching out of the stock and into the likes of British Gas, BP and Shell. Pittencrief jumped 20 to 291p in response to the sharp rise in the price of its US associate, Pittencrief Communications.

Shares in British Aerospace were back in favour after the company said it was raising the size of its refinancing package (a 5-year underwritten revolving credit facility) that was agreed last month by £100m to £1.5bn, after it won widespread support among its banks. The shares jumped 13 to 468p. Fears about the financing of its regional jets joint venture with Taiwan had led to weakness in the stock in the previous session.

A buy recommendation from Smith New Court boosted Lucas Industries, the shares gaining 6 to 162p. Smith believes, "under the existing management, the company is likely to maintain the final dividend." Motor dealer Evans Halshaw put on a further 16 to 390p, as the market continued to appreciate Tuesday's bumper profits.

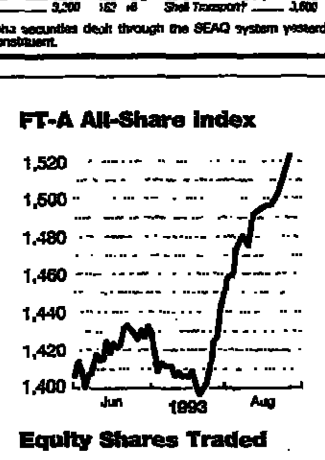
A profits downgrade in First Leisure, said to be by Cazenove, saw the shares slump 15 to 319p.

Stores stocks performed strongly as belief in a consumer recovery underpinned by more domestic interest rate cuts attracted investors. Among the leading stocks, Boots surged 15½ to 490½p, GUS 'A' 38 to 2058p, Next 6 to 208p and WH Smith 10 to 479p.

MARKET REPORTERS:
Christopher Price,
Steve Thompson,
Joel Kibazo.

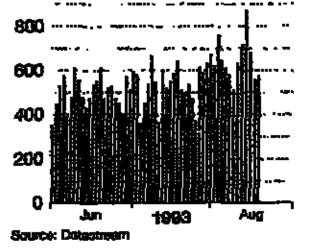
■ Other statistics, Page 14

FT-A All-Share Index



Equity Shares Traded

Turnover by volume (million) Excluding: intra-market business and overseas turnover



Source: Datastream

NEW HIGHS AND LOWS FOR 1993

NEW HIGHS (523).

BRITISH FUNDS (33) OTHER FIXED INTEREST (2) BANKS (9) Anglo Irish, Banco Santander, Bank Ireland, Bank of Scotland 9¼pc Pf., HSBC, Standard Chartered, BREWERS (2) Bulmer (H.P.), Eldridge Pope A, BLDG MATLS (8) BPB Inds., Helton, Marshalls, Pilkington, Redland, Sheffield Insulations, BUSINESS SERVS (10) Boustead, Capita, Chubb Security, Davis Service, Gardiner, Hays, Hogg Robinson, MITIE, Page (M), Serco, CHEMS (2) Akzo, Halstead (J), CONGLOMERATES (4) Daimler-Benz, Fletcher Challenge, Gieves, Goode Durrant, CONTG & CONSTRCN (8) Abbey, Ashtead, Countryside Props., Eve, Hewden-Stuart, Laing (J) Pf., Lon. & Clydeside, NSM, Rubicon, ELECTRICALS (5) Denmans, Motorola, Oxford Instruments, Pifco, Do. A, Wholesale Fittings, ELECTRICITY (10) East Midlands, Midlands, Northern, Northern Ireland, Norweb, Scott. Hydro, Seeboard, Sth. Wales, Southern, Yorkshire, ELECTRONICS (5) Alba, Farey, Process Systems, Scantronic, Telemetrix, ENG AERO (4) Brit. Aero. Pf., Hunting, Do. Pf., Rolls Royce, ENG GEN (14) Adwest, Allen, Babcock, Bemmer, Bridon, Dyson (J & J) A, EIS, Hopkinsons, Howden, IMI, Kvaerner B, Renold, Spirax-Sarco, Wilkes (J), FOOD MANUF (4) Acatos & Hutch., Assoc. Brit. Foods, Dawn, Greencore, FOOD RETAILING (2) Dairy Farm, Forepak, HEALTH & HSEHOLD (3) Humleigh Tech., Westminster Healthcare, Zeneca, HOTELS & LEIS (11) Boosey & Hawkes, David Lloyd, Forte, Granada, Do. Pf., Ladbroke, Magnolia, Manchester Utd., Pelican, Stakis, Whitegate, INSCE BROKERS (1) PWS, INSCE LIFE (1) Transatlantic, INV TRUSTS (237) MEDIA (9) Abbott Mead Vickers, Adscene, Capital Radio, Haynes Pub., Johnston Press, MMI, Do. Wrts., More O'Ferrall, Sterling Pub., MERCHANT BANKS (6) Barings 8pc Pf., Do. 9¾pc Pf., Rea Bros., Schroders N/V, Singer & Friedlander, Warburg (S.G.) Pf., MTL & MTL FORMING (3) ASW, Glynwed, Metsec, MISC (17) Airsprung Furniture, Alumasc, BAT Inds. 12¼pc Ln. 2003/08, Bluebird Toys, Dudley Jenkins, Frost, Headlam, Heath (S), Holders Tech., LGW, Lincat, Photo-Me, Polyon, Silentnight, Spandex, UK Safety, Walker Greenbank, MOTORS (18) Appleyard, Bostrom, Caffyns, Caverdale, Dagenham Motors, Davenport Vernon, Evans Halshaw, GKN, Gowrings, Henlys, Lex Service, Lucas, Do. Wrts., Motor World, Quicks, T & N, Vardy (Reg), Volvo B, OIL & GAS (7) Aran Energy, Brit. Borneo, Brit. Gas, Burmah Castrol, Santos, Shell Trans., Trident Petm., OTHER FINCL (22) OTHER INDLS (5) Cookson, McKechnie, Metrotect, Tex, Wilshaw, PACKG, PAPER & PRINTG (8) Bemrose, Boxmore, Enso-Gutzeit, Field, Gibbon Lyons, Kymmene, Smith (David S.), Stora B, PROP (24) STORES (14) Blacks Leisure, Brown & Jackson, Courts, Elam, French Connection, GUS A, Kingfisher, Do. 8½pc Ln 2000, Mallett, Marks & Spencer, Mendes (J), Rosebys, Sears, Tie Rack, TELE NETWORKS (4) Securicor, Do. A N-V, Security Services, Vodafone, TEXTS (3) Alexandra Workwear, Readmore, Worthington, TRANSPORT (5) Dawsongroup, Fisher (J), Ocean, Seacon, Vard, WATER (2) Mid Kent, Welsh, PLANTATIONS (1) Anglo-East, MINES (3) Anglo Amer. Inv., Central Pacific, Southern Pacific.

NEW LOWS (8).

BUSINESS SERVS (1) Penna, CONTG & CONSTRCN (1) Bell (A H), ELECTRONICS (1) Pelon, ENG GEN (1) Ransomes, HEALTH & HSEHOLD (1) Tepnel Diagnostics, TEXTS (1) Horace Small Apparel, SOUTH AFRICANS (1) N K Props., MINES (1) Mallngo Res.

FINANCIAL TIMES EQUITY INDICES

	Aug 18	Aug 17	Aug 16	Aug 13	Aug 12	Year ago	* High	* Low
Ordinary share	2405.1	2366.2	2347.6	2360.7	2369.2	1765.6	2405.1	2124.7
Ord. div. yield	3.84	3.90	3.94	3.92	3.90	5.10	4.52	3.84
Earning yld % full	4.53	4.70	4.75	4.72	4.70	7.39	6.38	4.53
P/E ratio net	28.16	27.18	26.93	27.09	27.20	17.08	28.16	19.40
P/E ratio nil	26.01	25.14	24.90	25.06	25.16	15.89	26.01	18.14
Gold Mines	197.0	196.0	138.3	190.4	201.1	82.1	249.2	80.0

*for 1993. Ordinary share index since compilation: high 2408.1 18/8/93 - low 49.4 26/6/40
Gold Mines index since compilation high: 734.7 15/2/83 - low 43.5 26/10/71
Basis Ordinary share 1/7/35; Gold Mines 12/9/55.

Ordinary Share hourly changes

Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.00	High	Low
2370.1	2378.0	2379.4	2388.2	2392.7	2404.7	2407.6	2402.7	2405.6	2408.6	2370.1

Volume	Aug 18	Aug 17	Aug 16	Aug 13	Aug 12	Year ago
SEAQ Bargains	39,268	32,735	37,573	45,250	45,535	15,585
Equity Turnover(£m)†	-	1428.7	1120.4	1553.5	2183.9	778.0
Equity Bargains†	-	37,831	43,281	52,190	51,816	19,932
Shares traded (ml)†	-	581.5	564.8	690.6	887.9	349.4

† Excluding intra-market business and overseas turnover.

London report and latest Share Index
Tel. 0891 123001. Calls charged at 36p/minute cheap rate, 43p at all other times.

EQUITY FUTURES AND OPTIONS TRADING

STRONG overseas demand drove the derivatives sector sharply ahead, sending the September Footsie futures contract to a new peak, and brought healthy turnover in the traded options, writes Joel Kibazo.

In futures, a firm start to trading in the September contract on the FT-SE 100 at 3,042 was followed by strong demand, in anticipation of favourable data on inflation. Confirmation of good inflation figures, together with good demand from US buyers, drove the contract further ahead, with UK institutions said to have been largely absent from the day's main action. This developed into a squeeze, in which the futures led the cash market higher.

It finished at 3,086, up 55 from the previous close and around 4 points above the estimated fair value premium to cash of about 7 points. A premium of between 10 and 15 points was seen for most of the session. By the close a hefty 17,086 contracts had been traded, the daily average for this year being 11,313 lots.

Active dealing in the index options, ahead of Friday's expiry, made a significant contribution to strong volume in the traded options. Total turnover reached 73,642, of which 29,434 was dealt in the FT-SE 100 option and 8,796 in the Euro FT-SE option. The combined average volume for the two options this year stands at 10,985 lots. British Steel was the busiest stock option.

LONDON SHARE SERVICE

BRITISH FUNDS

[illegible]

BRITISH FUNDS - Cont.

[illegible]

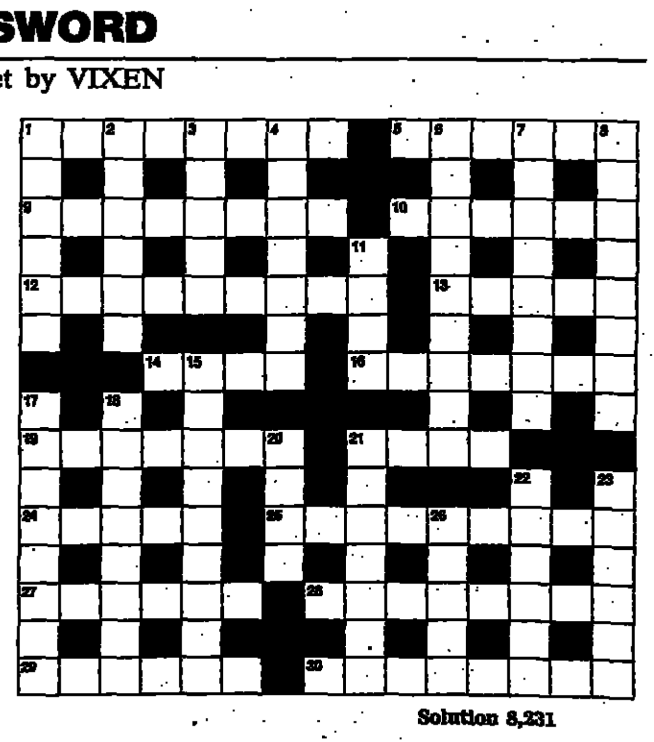
OTHER FIXED INTEREST

[illegible]

Continued on next page

CROSSWORD

No.8,232 Set by VIXEN



ACROSS

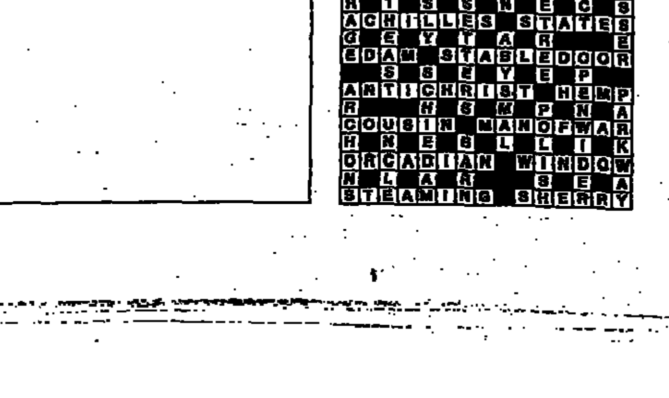
1 Some hick maybe longing for his own place (8)
5 There's a bit for everyone (6)
9 Rebuked about return of benefit, scattered (8)
10 Contestants take on so! (6)
12 Discard reserve cuttings? (5-4)
13 Create a row (5)
14 The French way to persist (4)
16 Out of jam, say (7)
19 Vehicle taking many a group of soldiers to the front (7)
21 Watch money trickle away (4)
24 Drain off at the lowest point (5)
25 Being aware of some words written about one (9)
27 A woman well-liked by the network (6)
28 Such accommodation as people get in principle (8)
29 Broadcasts on the subject of ballads (6)
30 The fool mistreating roses he values (8)

DOWN

1 Hector could be Sarah's undoing (6)
2 New style serving men (6)
3 Rogue putting a point about a politician (5)
4 The cigar a man in credit reflected over (7)
6 Deficient in pep, and pale – fruit's called for (9)
7 23 is cut up over a man having to work underground (8)
8 All the same, 20 makes a regular appearance (8)
11 An island sounds heavenly! (4)
15 Diets vary unfortunately when life is hard (9)
17 Look at a range that's less lavish (8)
18 Quietly stick with one girl, though free-handed (8)
20 The head Japanese copper backing the second (4)
21 Not naturally bright (7)
22 Resent the breaking of records (6)
23 7's canopy (6)
26 She's always in outmoded attire, never the latest fashion (5)

JOTTER PAD

Solution 8,231



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LONDON SHARE SERVICE

AMERICANS

	Notes	Price £	+ or -	1993 high	1993 low	Mkt Cap£m	Yld Gr's
Abbott Labs		16⅞xd	+⁷⁄₁₆	20¼	15⅝	14,123	2.7
Allegheny & W.	♥	698p	-18	722p	399p	358.5	2.9
Amdahl		349p	—	691p	302½p	381.9	1.0
Amer Cyanamid		32⅝	-⅛	38⅝	31⅛	2,888	3.6
Amer Express		21⅞xd	-⅛	22⅝	14⅞	10,657	3.1
Amer T & T		40⅞xd	-⅛	43¼	33⅛	64,276	2.2
Ameritech		54¼	-1½	58⅛	46	23,887	4.6
BankAmerica		30⅞xd	+⅛	38⅛	27⅛	10,854	3.0
Bankers NY		52⅞xd	-⅜	54⅛	42⅝	4,208	4.0
Bell Atlantic		37⅞	-⅛	40⅝	32⅛	16,454	4.7
BellSouth		37	-1⅝	38⅝	32⅝	16,278	5.1
Bethlehem Steel	♥	8½xd	-⅛	13⅛	9	659.8	–
Bowater		1355pxd	+14	1682p	1287p	481.0	3.0
CPC		28¼xd	+⅛	34⅝	28	4,278	3.1
California Engy		1232p	—	1479p	1086p	224.3	–
Chase Manhattan		22½xd	-⅛	24½	17⅝	3,612	3.6
Chrysler		29⅝xd	+⅛	32⅛	21⅛	6,602	1.4
Citicorp		21⅛xd	-⅛	22⅛	13⅛	7,805	–
Colgate-Palm		32⅝xd	+⅛	45⅝	32	5,249	2.9
Cont'l Bank		1572p	-70	1677p	1278p	1,588	2.6
Dana		36⅛xd	-⅛	37⅝	28⅛	1,684	3.0
Data General		577p	+16	981p	527p	169.2	–
Decora Inds	♥	109p	—	148p	109p	–	–
Dun & Brad		38⅝	—	42⅛	37⅛	7,107	4.1
Eaton		30⅝	—	31⅛	25⅛	2,113	2.8
Echlin		19⅛xd	+⅛	20½	15⅛	1,118	2.5
FPL		26⅛xd	+⅛	27⅝	23¼	4,871	6.2
Ford Motor		34⅛xd	-⅛	38⅛	28⅛	16,982	1.9
Gen Elect		65⅛xd	-⅛	67⅛	53⅝	55,619	2.6
General Host	♥	810p	+7	723p	503p	–	4.7
Gillette		35½xd	+⅛	42⅝	31⅛	7,801	1.8
Hasbro		20⅝	—	20⅝	20⅝	1,619	0.8

CANADIANS

BANKS

BREWERS & DISTILLERS

BUILDING MATERIALS

BUILDING MATERIALS - Cont.

BUSINESS SERVICES

CHEMICALS

CONGLOMERATES

CONTRACTING & CONSTRUCTION

ELECTRICALS

ELECTRICITY

ELECTRONICS

ENGINEERING-AEROSPACE

ENGINEERING-GENERAL

ENGINEERING-GENERAL - Cont.

FOOD MANUFACTURING

FOOD RETAILING

HEALTH & HOUSEHOLD

HOTELS & LEISURE

HOTELS & LEISURE - Cont.

INSURANCE BROKERS

INSURANCE COMPOSITE

INSURANCE LIFE

INVESTMENT TRUSTS

INVESTMENT TRUSTS - Cont.

LONDON SHARE SERVICE

INVESTMENT TRUSTS - Cont.

Notes	Price	+ or -	1993 high	low	Yld Gr's	NAV	Dis or Pm(-)
Scot Asian Pig ♣	224	—	224	136	–	223.8	0.3
Warrants	603	—	605	225	–	–	–
Scot East ♣□	81½	+1½	81½	63¾	2.3	80.3	0.8
Scottish Inv ♣†□	221	+1	221	183	2.6	249.4	11.6
Warrants □	89½	+3	89½	38	–	–	–
Scot Mortgage ♣□	224	+4	224	175	2.2	242.4	7.6
Scot National Inc ♣□	64xd	—	65½	63	10.0	–	–
Cap □	35	+3	35	16	–	101.3	65.4
Stepped Pf	155¾xd	+½	155½	150¾	4.9	–	–
Zero Div Pf	224½	+1	224½	207	–	–	–
Warrants	4¼	+¼	5	2½	–	–	–
Scot Value †□	92½	+1½	92½	71	2.4	93.0	0.8
Sec Alliance ♣†	1600	+12	1605	1300	2.8	1593.3	8.1
Second Consol □	188	+1	188	88	–	210.4	10.9
Second Market ♣	375	—	378	256	8.7	385.8	2.8
Sec Tst Scot ♣□	89	+2	89	74½	4.8	89.2	0.5
Select Assets □	158	+2	158	108½	1.9	180.1	13.4
Eq Ind Sert	147	+4	147	128	3.6	–	–
Eq Ind Sert	147	+4	147	128	3.6	–	–
SHIRESCOT ♣	138xd	+1	138	104	4.7	135.4	–1.9
Shires ♣	283	+4	283	231	7.4	279.1	–1.3
Stan Select	148	–1	150	87	0.9	162.2	8.7
Warrants	46	—	46	15	–	–	–
Smaller Cos □	130	—	130	78	2.5	124.7	–4.2
Warrants	50	+1	50	14	–	–	–
Sphere Inc □	34½	+2½	34½	14	11.5	44.2	20.8
Zero Div Pf	91½	+½	91½	80¼	–	–	–
Units	875	+20	875	765	–	–	–
Sprott	87	+5	87	38	2.8	95.1	8.8
TR City of Lon □	151xd	+1	152	128	4.0	145.0	–4.2
TR Euro Growth ♣□	125	+4	125	76	1.4	122.8	–1.8
Ptg Sub	67	+3	67	27	2.8	–	–

MERCHANT BANKS

METALS & METAL FORMING

MISCELLANEOUS

INVESTMENT COMPANIES

MEDIA

MOTORS

OIL & GAS

OIL & GAS - Cont.

OTHER FINANCIAL

OTHER INDUSTRIALS

PACKAGING, PAPER & PRINTING

PACKAGING, PAPER & PRINTING - Cont.

PROPERTY

STORES

STORES - Cont.

TELEPHONE NETWORKS

TEXTILES

TRANSPORT

WATER

SOUTH AFRICANS

PLANTATIONS

MINES

MINES - Cont.

Notes	Price	+ or -	1993 high	low	Mkt Cap£m	Yld Gr's
Europa Mints N□	39	—	42	15	18.3	–
Glencar Expl IE ‡‡	11	—	12	6	2.03	–
Greenwich Res ♣□	14½	—	22¼	5	11.3	–
Hemlo Gold C$	987⁄8	—	92½	63½	665.3	1.3
Ivernia West IE ‡‡□	45	—	67	31	21.6	–
Kells Mints IE ‡‡	12	—	13	8	0.29	–
Kenmare ♣□	9½	+½	13½	8	9.51	–
Meridian Res	8	–1	25½	8	6.86	–
Nevan Res IE ♣	94¾	+1½	102	25	18.1	–
5pc Ln Notes	94¼	+1½	94¾	25	17.1	–
Oryx Gold	78⅞	—	78⅞	47	–	–
‡‡Ovoca Res IE	8	—	8	3½	0.58	–
RTZ ♣N□	693	+8	709	607	7,138	3.8

GUIDE TO LONDON SHARE SERVICE

Company classifications are based on those used for the FT-Actuaries Indices and FT-Actuaries World Indices.

Closing mid-prices are shown in pence unless otherwise stated. Highs and lows are based on intra-day mid- prices.

Where stocks are denominated in currencies other than sterling, this is indicated after the name.

Symbols referring to dividend status appear in the notes column daily as a guide to yields and P/E ratios. Dividends and Dividend covers are published on Monday.

Market capitalisation shown is calculated separately for each line of stock quoted.

Estimated price/earnings ratios are based on latest annual reports and accounts and, where possible, are updated on interim figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation, excluding exceptional profits/losses and unrelieved ACT where applicable. Yields are based on mid-prices, are gross, adjusted for a dividend tax credit of 20 per cent and allow for value of declared distribution and rights.

Estimated Net Asset Values (NAVs) are shown for Investment Trusts, in pence per share, along with the percentage discounts (Dis) or premiums (Pm -) to the current pre-closing share price. The NAV basis assumes prior charges at par value, convertibles converted and warrants exercised if dilution occurs.

- □ Indicates the most actively traded stocks. This includes UK stocks where transactions and prices are published continuously through the Stock Exchange Automated Quotation system (SEAQ).
- ● "Tap Stock"
- * Highs and lows marked thus have been adjusted to allow for rights issues for cash
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- ‡‡ Tax-free to non-residents on application
- ♦ Figures or report awaited
- ♥ Not officially UK listed; dealings permitted under rule 535(4)(a)
- ♣ Free annual/interim report available, see details below.
- ✤ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- ‡‡ Not officially UK listed; dealings permitted under Rule 535(2)
- # Price at time of suspension
- ¶ Indicated dividend yield after pending scrip and/or rights issue.
- ♦ Merger bid or reorganisation in progress
- § Forecast dividend yield; p/e based on earnings updated by latest interim statement.
- ♠ Unregulated collective investment scheme.

a Yield based on annualised dividend
b Figures based on prospectus or other official estimates
c Cents.
f Flat yield.
g Assumed dividend yield after rights issue.
h Assumed dividend yield after scrip issue.
n Rights issue pending
q Earnings based on preliminary figures.
s Dividend yield excludes a special payment.
t Indicated dividend yield, p/e ratio based on latest annual earnings.
u Forecast, or estimated annualised dividend yield, p/e based on previous year's earnings
v Not subject to ACT.
z Dividend yield includes a special payment
E Auction basis
F Yield based on prospectus or other official estimates for 1994-95.
G Assumed yield after pending scrip and/or rights issue.
H Yield based on prospectus or other official estimates for 1993.
K Yield based on prospectus or other official estimates for 1992-93
L Estimated annualised yield, p/e based on latest annual earnings.
M Yield based on prospectus or other official estimates for 1993-94.
N Figures based on IIMR 'Headline Earnings' draft proposals.
P Figures based on prospectus or other official estimates for 1994.
R Forecast annualised yield, p/e based on prospectus or other official estimates.
T Figures assumed.
W Pro forma figures.
Z Dividend yield to date.

Abbreviations:
xd ex dividend;
xc ex scrip issue;
xr ex rights;
xa ex all;
xl ex capital distribution.

This service is available to companies whose shares are regularly traded in the United Kingdom for a fee of £1235 a year for each security shown, subject to the Editor's discretion

FT Free Annual Reports Service

You can obtain the current annual/interim report of any company annotated with ♣. Ring 081 643 7181 (open 24 hours including weekends) or fax 081 770 3822, quoting the code FT8846. (If calling from outside UK, dial +44 81 643 7181 or fax +44 81 770 3822) Reports will be sent the next working day, subject to availability. If faxing please remember to state the weekly changing FT code above and also your post code.

FT Cityline

Up-to-the-second share prices are available by telephone from the FT Cityline service. See Monday's share price pages for details.

An international service is available for callers outside the UK, annual subscription £250 stg. Call 071-873 4378 (+44 71 873 4378, international) for more information on FT Cityline.

FT MANAGED FUNDS SERVICE

● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (071) 873 4378 for more details.

AUTHORISED UNIT TRUSTS

Guide to pricing of Authorised Unit Trusts

Compiled with the assistance of Lautro §§

INITIAL CHARGE: Charge made on sale of units. Used to defray marketing and administrative costs, including commission paid to intermediaries. This charge is included in the price of units.

OFFER PRICE: Also called issue price. The price at which units are bought by investors.

BID PRICE: Also called redemption price. The price at which units are sold back by investors.

CANCELLATION PRICE: The minimum redemption price. The maximum spread between the offer and bid prices is determined by a formula laid down by the government. In practice, most unit trust managers quote a much narrower spread. As a result, the bid price is often set above the cancellation price. However, the bid price might be moved to the cancellation price by the managers at any time, usually in circumstances in which there is a large excess of sellers of units over buyers.

TIME: The time shown alongside the fund manager's name is the time of the unit trust's valuation point unless another time is indicated by the symbol alongside the individual unit trust name. The symbols are as follows: (♥) - 0001 to 1100 hours; (♣) - 1101 to 1400 hours; (♦) - 1401 to 1700 hours; (♠) - 1701 to midnight. Daily dealing prices are set on the basis of the valuation point; a short period of time may elapse before prices become available.

HISTORIC PRICING: The letter H denotes that the managers will normally deal on the price set on the most recent valuation. The prices shown are the latest available before publication and may not be the current dealing levels because of an intervening portfolio revaluation or a switch to a forward pricing basis. The managers must deal at a forward price on request, and may move to forward pricing at any time.

FORWARD PRICING: The letter F denotes that the managers deal at the price to be set on the next valuation. Investors can be given no definite price in advance of the purchase or sale being carried out. The prices appearing in the newspaper are the most recent provided by the managers.

SCHEME PARTICULARS AND REPORTS: The most recent report and scheme particulars can be obtained free of charge from fund managers.

Other explanatory notes are contained in the last column of the FT Managed Funds Service.

§§ Life Assurance and Unit Trust Regulatory Organisation, Centre Point, 103 New Oxford Street, London WC1A 1QH. Tel: 071-379-0444.

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FT MANAGED FUNDS SERVICE

● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (071) 873 4378 for more details.

State Street Unit Trust Mngmt Ltd (1400)F

Stewart Ivory Unit Tst Mgrs Ltd (1200)H

Lazard Investors Ltd ‡

Local Authorities Mutual Invest. Tst.*

M & G Securities Ltd

Merlin Jupiter Unit Trust Managers Ltd

Morgan Grenfell Investment Funds Ltd

Allied Dunbar Assurance Plc - Contd.

American Life Insurance Co UK

Barclays Life Assur. Co Ltd

City of Westminster Assurance (z)

Clerical Medical/Fidelity Investments

Friends Provident

INSURANCES

OTHER UK UNIT TRUSTS

FT MANAGED FUNDS SERVICE

● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (071) 873 4378 for more details.

Prudential Assurance Co
Holborn Bars, London EC1N 2NH 071-405 9222

	Bid Price	Offer Price	+ or -	Yield Gross
Managed Aug 16	316.8	333.2	-3.4	-

Prudential Corporate Pension Funds
55 King's Road, Reading RG1 3AH 0734 494852

	Bid Price	Offer Price	+ or -	Yield Gross
Discretionary Aug 11	243.19	256.78	+2.78	-
Equity Aug 11	271.53	281.07	+3.29	-
International Aug 11	41.58	42.68	+0.55	-
Intl Bond Aug 11	21.21	21.48	+0.31	-
Fixed Int Aug 11	130.13	131.61	+1.48	-
Index Linked Aug 11	94.60	95.65	+0.50	-
Property Aug 11	111.78	117.34	—	-
Cash Aug 11	33.78	33.78	+0.04	-
Managed Aug 11	565.40	589.00	—	-
Cash Aug 11	305.60	318.40	+0.10	-
Pens Mngd	230.50	247.60	+0.90	-
Pens Mngd A	103.10	108.60	+0.50	-
Pens UK Eq	388.80	416.70	+3.80	-
Pens Intl	208.80	222.00	-1.70	-
Pens Global Eqty	130.90	137.80	+0.60	-
Pens Fixed	296.00	311.40	+1.40	-
Pens Index Lk	239.10	252.10	+0.60	-
Pens Property	90.40	95.20	—	-
Pens Cash	199.50	210.20	—	-
Discretionary (z)	133.10	142.70	+0.10	-
Equity (z)	136.10	146.50	+0.10	-
International (z)	136.30	145.50	-0.30	-
Global Equity (z)	135.80	145.80	—	-
Intl Bond Feb (z)	151.00	158.90	-0.40	-
Fixed Interest (z)	147.00	154.50	+0.70	-
Index Linked (z)	131.50	138.20	+0.80	-
Property Feb (z)	101.20	110.80	—	-
Cash (z)	115.40	121.10	—	-

Prudential Individual Life Funds
55 King's Road, Reading RG1 3AH 0734 494852

	Bid Price	Offer Price	+ or -	Yield Gross
Managed	741.6	780.7	+6.1	-

Scottish Amicable - Contd.

	Bid Price	Offer Price	+ or -	Yield Gross
Capital Guarantee Bond	105.1	110.7	+1.40	-

Scottish Equitable Life Assce. Soc.
28 St Andrew Sq, Edinburgh 031-556 9101

	Bid Price	Offer Price	+ or -	Yield Gross
Mixed	241.3	254.0	+2.0	-
UK Equity	228.1	240.1	+1.7	-
International	244.4	257.2	+1.4	-
American	240.8	253.4	+1.8	-
European	228.9	240.3	+2.6	-
Japan	261.9	275.7	-0.4	-
Pacific	340.1	358.0	-0.1	-
Technology	316.6	333.2	+2.1	-
Fixed Interest	182.1	191.7	+0.7	-
Indexed Linked	160.1	168.5	+0.2	-
Foreign Bond/Currency	227.5	239.5	-0.1	-
Cash	173.787	182.929	+0.020	-
Ethical	122.9	129.3	+0.7	-
Pens Mixed	697.5	734.2	+10.3	-
Pens UK Equity	775.7	816.5	+14.2	-
Pens International	757.9	797.7	+7.4	-
Pens American	243.9	256.8	+2.1	-
Pens European	267.3	281.4	+4.9	-
Pens Japan	320.5	337.4	-0.2	-
Pens Pacific	386.2	406.5	+3.2	-
Pens Fixed Interest	373.5	393.2	+4.1	-
Pens Index Linked	198.6	209.1	+0.4	-
Pens Cash	276.819	291.567	+0.039	-
Pens Property	213.62	224.86	—	-
Pens Ethical	158.5	167.9	+1.8	-
Edinburgh Inv	370.1	389.5	+3.5	0
Baillie Gifford Japan	262.8	276.7	—	-

Scottish Life Investments
19 St Andrew Square, Edinburgh 031-225 2211

	Bid Price	Offer Price	+ or -	Yield Gross
Property	179.8	189.3	—	-
UK Equity	338.7	356.6	+4.6	-
American	241.3	254.1	+0.6	-
Pacific	335.9	353.7	-3.2	-
European	429.7	452.4	+3.4	-
International	293.2	308.7	+0.6	-
Fixed Interest	243.3	256.2	-0.5	-
Index Linked	196.0	206.4	—	-

Sun Alliance Group - Contd.

	Bid Price	Offer Price	+ or -	Yield Gross
Fram Intl. Growth	197.1	207.4	+1.8	-
Fram Japan & General	310.8	326.8	—	-
Fram Recovery Tst.	323.5	340.5	+2.3	-
GT Special Mngd	229.2	241.2	+1.4	-
GT Amer Spec Sits	187.8	198.1	-0.9	-
GT Capital	269.8	283.7	+3.0	-
GT European	283.5	298.4	+3.5	-
GT Far East & Gen.	277.5	292.1	+0.2	-
GT International	256.8	270.4	+0.1	-
GT Japan & General	231.7	244.9	+0.2	-
GT US & General	248.9	261.9	-1.2	-
Investment		327.3	+1.9	-
Investment (A)		314.8	+1.8	-
Abbey National		387.4	—	-
Abbey National (A)		411.2	—	-
Actuarial		553.7	+3.3	-
Agricultural		765.8	+0.1	-
Agricultural (A)		735.8	+0.1	-
Building Society		216.8	+0.1	-
Equity		1188.1	+11.6	-
Equity (A)		1141.1	+11.2	-
Gilt Edged		381.2	+2.1	-
Gilt Edged (A)		397.2	+2.1	-
International		855.7	+0.3	-
Money		448.4	+0.1	-
Money (A)		420.9	+0.1	-
Property		480.8	+0.1	-
Property (A)		459.4	+0.1	-
Atlantic Investment		723.3	—	-
Atlantic All Weather	873.9	780.4	—	-
Managed (Acc)		1068.2	+6.8	-
Managed (Cap)		597.7	+3.7	-
Building Society (Acc)		797.6	+0.2	-
Building Society (Cap)		449.4	—	-
Conv Bldng Soc (Acc)		858.2	+0.1	-
Conv Bldng Soc (Cap)		454.1	+0.1	-
Equity (Acc)		911.6	+8.9	-
Equity (Cap)		565.3	+6.0	-
Gilt Edged (Acc)		477.7	+2.1	-
Gilt Edged (Cap)		258.1	+1.3	-
International (Acc)		336.6	+0.2	-
International (Cap)		239.5	+0.1	-

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Barclays Inv Funds (Luxembourg)

CMI Asset Management (Luxembourg) SA

Latin American Securities Ltd (u)

Liberty ALL-STAR World Ptflio-Eqty Fd(u)

Lloyds Bank Luxembourg

LUXEMBOURG (REGULATED)(**)

Credit Lyonnais Rouse (Bermuda) Ltd

Credit Suisse

Rosenberg US Japan Mngmt Co SA (u)

Edmond de Rothschild Group

SCI/TECH SA

SWITZERLAND (SIB RECOGNISED)

OTHER OFFSHORE FUNDS

MANAGED FUND NOTES

CURRENCIES, MONEY AND CAPITAL MARKETS

FOREIGN EXCHANGES

Sterling up on rate comment

STERLING rose sharply against both the D-Mark and the dollar in London yesterday afternoon, after a UK government minister gave a strong indication that interest rate cuts should not be expected for the time being, *writes James Blitz.*

After falling below DM2.49 level against the D-Mark at the start of the week, the pound stabilised on Tuesday as dealers took the view that a cut in interest rates had already been priced into the market.

However, Mr Michael Portillo, the chief secretary to the UK Treasury, told British television yesterday that an easing in monetary policy was not to be anticipated. This led to a sharp fall in UK interest rate futures and sterling soared 2¼ pfennigs to close at DM2.5450. One London dealer spoke of a very large commercial order being received from the Far East.

Sterling was not affected by July's figures for retail sales and inflation, both of which were released yesterday. However, the pound may have gained some momentum from a sharp rise in UK equity markets. US investors may have sought to profit from the rise in UK shares, and the pound gained 2½ cents against the dollar to close at $1.5125.

Sterling's rise may partly have triggered a fall in the dollar/D-Mark rate, as dealers commenced selling of the US currency yesterday afternoon. The Bundesbank's latest monthly report also supported the D-Mark, giving little indication of any prospect of German short term rates coming down. The central bank said high money growth meant the scope for cuts was limited. The dollar closed at DM1.6825, down nearly 1½ pfennigs on the day.

By contrast, the dollar/yen exchange rate was confined to tight ranges as dealers waited for today's Japanese cabinet meeting, which could bring a response to the high yen. Mr Yasushi Mieno, Japan's central bank governor, said yesterday that the authorities were not considering a cut in the discount rate although some thought the possibility still existed. The dollar closed almost unchanged in London at Y101.50.

In Europe, the French franc continued to perform strongly in the wake of Tuesday's easing in French money market rates, the currency closed at FFr3.514 from a previous FFr3.517.

There was market talk that the Bank of France was buying foreign currencies as its currency appreciated, needing to make up for the severe depletion of its reserves in the midst of the crisis in the exchange rate mechanism. One dealer also spoke of rumours that Belgium and Luxembourg were at odds over whether to continue their common currency area.

The Danish krone recovered from an early fall against the D-Mark after Denmark's central bank announced that it was selling D-Marks to support its currency. The Danish krone was trading at DKr4.0936 yesterday, having been at DKr4.1200 earlier in the day.

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu Central Rates	Currency Amounts Against Ecu Aug 18	% Change from Central Rate	% Spread vs Weakest Currency	Divergence Indicator†
Dutch Guilder	2.19672	2.15379	-1.73	8.01	-
D-Mark	1.94964	1.91846	-1.60	7.87	-
Belgian Franc	40.2123	40.4794	0.66	5.44	-5
Irish Punt	0.808628	0.818860	1.02	5.07	-7
Portuguese Escudo	192.854	196.516	1.90	4.16	-13
Spanish Peseta	154.250	158.505	2.75	3.29	-13
French Franc	6.53883	6.73665	3.03	3.02	-25
Danish Krone	7.43679	7.89553	6.14	0.00	-42

Ecu central rates set by the European Commission. Currencies are in descending relative strength. Percentage changes are for Ecu; a positive change denotes a weak currency. Divergence shows the ratio between two spreads: the percentage difference between the actual market and Ecu central rates for a currency, and the maximum permitted percentage deviation of the currency's market rate from its Ecu central rate.
†Indicative values only. Divergence indicators are based on 15% band limitations but do not show the 2.25% band between the Dutch Guilder and D-Mark.

£ IN NEW YORK

Aug 18	Latest	Previous Close
£ Spot	1.5120-1.5130	1.4877-1.4882
1 month	0.36-0.35pm	0.37-0.36pm
3 months	1.68-1.65pm	1.71-1.68pm
12 months	2.75-2.65pm	2.76-2.70pm

Forward premiums and discounts apply to the US dollar

STERLING INDEX

[illegible]

CURRENCY RATES

[illegible]

CURRENCY MOVEMENTS

[illegible]

Morgan Guaranty changes: average 1980-1982=100. Bank of England (Base Average 1985=100). *Rates are for Aug 17

OTHER CURRENCIES

[illegible]

POUND SPOT - FORWARD AGAINST THE POUND

[illegible]

DOLLAR SPOT - FORWARD AGAINST THE DOLLAR

[illegible]

EURO-CURRENCY INTEREST RATES

[illegible]

EXCHANGE CROSS RATES

[illegible]

Yen per 1,000: French Fr per 10: Lira per 1,000: Belgian Fr. per 100: Peseta per 100

FINANCIAL FUTURES AND OPTIONS

[illegible]

OPTION ON LONG-TERM FRENCH BOND (MATIF)

Strike	Calls September	Calls December	Calls March	Puts September	Puts December	Puts March
120	2.40	2.43	-	-	0.42	-
121	1.42	1.78	-	0.02	0.70	-
122	0.50	1.16	-	0.12	1.11	-
123	0.09	0.76	-	0.70	1.67	-
124	0.01	0.43	-	-	-	-
Open Int	104,718	124,795	22,640	234,507	100,884	15,893

Estimated volume 37,046 † Total Open Interest 603,537
† All Yield & Open Interest figures are for the previous day.

MONEY MARKETS

Portillo dips futures

SHORT-DATED sterling interest rate futures fell back sharply yesterday after a British government minister suggested that there might not be any interest rate cuts in the UK for some time, *writes James Blitz.*

Yesterday's July data for retail sales and inflation were much as the market had expected and had little impact on sterling prices.

UK clearing bank base lending rate
6 per cent
from January 26, 1993

But interest rate futures fell back and the longer dated cash rates firmed after Mr Michael Portillo, the Chief Secretary to the Treasury, said that Mr Kenneth Clarke, the UK chancellor, was satisfied with current interest rates.

"He is showing himself satisfied with the present level of interest rates," Mr Portillo told a TV interviewer. "So I don't want to lead you to expect any changes whatsoever."

The comments had an immediate impact on futures dealers, who, in recent weeks, have pushed the December contract up to levels that virtually price in 1 percentage points off interest rates.

The contract dropped 14 basis points at one stage to a low of 94.58, but later recovered to close at 94.62. The September contract was 8 basis points down on the day, at 94.16.

In the cash market, 3 month money was unchanged at 5⅞ per cent. The yield curve out to 6 months and 1 year sloped a little less steeply than it did on Tuesday, however. Six month money closed at 5$\frac{11}{16}$ per cent and the 1 year rate at 5$\frac{13}{16}$ per cent.

The overnight cost of lending was up at 6.50 per cent because of difficulties removing a £900m shortage, which left late assistance of £285m.

French franc market interest rates fell sharply yesterday as the currency continued to appreciate on the foreign exchanges.

Three month French francs were back below 8 per cent yesterday, closing at 7.75 per cent from a previous 8.33 per cent. September French franc interest rates were up 26 basis points on the day, closing at 93.08 from a previous close of 92.82.

In its weekly intervention in currency markets, the Bundesbank drained liquidity of DM5.8bn. This was due to a lack of interest in the weekly tender, which again came at a fixed rate of 6.80 per cent. With call money yesterday at 6.74 per cent, dealers clearly borrowed more cheaply in the interbank market.

FT LONDON INTERBANK FIXING

[illegible]

MONEY RATES

[illegible]

LONDON MONEY RATES

[illegible]

BASE LENDING RATES

	%
Adam & Company	6
Allied Trust Bank	6
AIB Bank	6
●Henry Ansbacher	6
B & C Merchant Bank	13
Bank of Baroda	6
Banco Bilbao Vizcaya	6
Bank of Cyprus	6
Bank of Ireland	6
Bank of India	6
Bank of Scotland	6
Barclays Bank	6
Brit Bk of Mid East	6
●Brown Shipley	6
CL Bank Nederland	6
Citibank NA	6
City Merchants Bank	6
Clydesdale Bank	6
The Co-operative Bank	6
Coutts & Co	6
Credit Lyonnais	6
Cyprus Popular Bank	6
Duncan Lawrie	6
Equatorial Bank plc	6
Exeter Bank Limited	7
Financial & Gen Bank	7
●Robert Fleming & Co	6
Girobank	6
●Guinness Mahon	6
Habib Bank AG Zurich	6
●Hambros Bank	6
Heritable & Gen Inv Bk.	6
●Hill Samuel	6
C. Hoare & Co	6
Hongkong & Shanghai.	6
Julian Hodge Bank	6
●Leopold Joseph & Sons	6
Lloyds Bank	6
Meghraj Bank Ltd	6
McDonnell Douglas Bk.	6
Midland Bank	6
Mount Banking	6
NatWestminster	6
Nykredit Mortgage Bnk	6.5
●Rea Brothers	6
Roxburghe Bank Ltd	6
Royal Bk of Scotland	6
●Smith & Williamson Secs.	6
Standard Chartered	6
TSB	6
●United Bk of Kuwait	6
Unity Trust Bank Plc	6
Western Trust	6
Whiteaway Laidlaw	6
Wimbledon & Sth West.	7
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MONEY MARKET FUNDS

Money Market Trust Funds

[illegible]

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WORLD STOCK MARKETS

AUSTRIA

August 18	Sch	+ or –
Austrian Airlines	1,880	+10
Bank Austria	1,035	—
Creditanstalt Pf	725	+9
EA General	3,875	+25
EVN	1,038	+8
Lenzing	895	+10
OeMV	834	+16
Perlmooser Zement	850	—
Radex Heraklith	420	+8
Steyr Daimler	209	+3
Veitscher Magnesit	323	+9
Verbund (Br) A	635	+13
Vienna Int Airport	481	+1
Wienerberger	3,490	+60

BELGIUM/LUXEMBOURG

August 18	Frs.	+ or –
AG Group	2,820	—
Ackermans	3,280	–30
Almanij	7,870	+10
Arbed	3,990	–10
BBL	3,025	+10
Bank Intl a Lux	16,300	+550
Banq Gen Lux Pts	22,500	—
Banque Nat Belg	35,475	+250
Bekaert	18,450	+50
CBR Ciment	11,850	–175
CMB	2,070	—
Cobepa	5,180	+10
Cockerill Priv	131	+1
Colruyt	6,380	+20
Delhaize Frs Lion	1,328	–2
Electrabel	6,160	—
Electrabel AFV1	6,010	—
Electrafina ACT	2,770	+25
GBL	3,510	+40
GBL AFV 1	3,400	—
GIB Group	1,269	[illegible]

FRANCE

August 18	Frs.	+ or –
AGF	691	–2
Accor	693	+3
Air Liquide	784	+9
Alcatel Alsthom	725	+20
Axa	1,545	+17
BIC	1,330	+30
BSN	906	+7
BNP Cert Inv	399	+2
Bancaire Cie	578	+10
Bongrain	2,584	–16
Bouygues	699	+6
CCIP	1,285	+15
Canal+	1,339	+16
Cap Gemini S	199.10	–.90
Carnaudmetalbox	230	+2
Carrefour	2,948	+8
Casino	140.60	+.30
Chargeurs	1,105	–1
Club Mediterranee	449	+1
Coparex Int	854	+1
C C F	259.80	+1.30
Cr Fonc France	1,152	–1
Cred Lyon (CI)	770	+10
Credit Local Fr	429.60	+2.10
Credit National	718	—
Damart	4,380	+140
Docks de France	609	+17
Dollfus Mieg Cie	340	+12
EBF	700	+10
Eaux Cie Gen	2,415	+65
Ecco	527	–8
Elf Aquitaine	450.10	+5.90
Elf Aquitaine Certs	384	+12
Elf Sanofi	960	+16
Eridania B-Say	823	+8
Eridania B-Say CI	636	+7
Essilor Int	558	+24
Euax	2,228	–12
Eurafrance	2,025	+5
Euro RSCG	622	+5
Euro Disney	57.80	–3
Finextel	751	–1
Fonc Lyonnaise	670	—
Fromageries Bel	4,650	+20

GERMANY (continued)

August 18	Dm.	+ or –
DLW	427.50	+1.50
Daimler-Benz	744	+23
Degussa	375	+3.50
Deutsche Babcock	206	+1
Deutsche Bank	787.50	+16
Didier-Werke	137.40	–1.10
Douglas Hldg	582.50	+4.50
Dragerwerk	258	–1
Dresdner Bk	418	+5
GEHE	418	+3
Gerresheimer	236.50	–.50
Goldschmidt (TH)	700	–10
Hamburg Elek	190.50	–.50
Heidelb Zem	1,100	—
Henkel Prf	578	+9
Herlitz	327	–1
Hochtief	1,144	+3
Hoechst	280.60	+.90
Holzmann Ph	960	–5
Horten	217.50	+7.50
IKB Deutsche Ind	287.50	–2
Industrie Werke	388	+7.50
Kali & Salz	142	+1
Karstadt	610	+5
Kaufhof	552.50	+5.50
KHD	125	+1
Klockner Werke	84.40	–.40
Lahmeyer	785	+2
Leifheit	603	+7
Linde	844	+1.50
Linotype-Hell	412	+1.50
Lufthansa	150.50	+1
Lufthansa n/v Prf	142.30	–.20
MAN	329.50	+1.50
MAN Pref	290.30	+2.30
Mannesmann	341.50	+6
Mannheim Vers	620	–5
Mercedes Hld	744	+20.20
Metallgesellschaft	386.20	–2.80
Muench Rueck (Reg)	3,456	+36
PWA	192	—
Philips Kommun	525	+7
Porsche	620	+28

TOKYO - Most Active Stocks

Wednesday, August 18, 1993

	Stocks Traded	Closing Prices	Change on day		Stocks Traded	Closing Prices	Change on day
Nippon Yusen KK	4.8m	645		Toyota Motor	2.8m	1,640	
Nikko Sec	4.3m	1,370	+20	Sumitomo Chem	2.7m	463	-8
Nippon Steel	4.0m	380	-10	Koa Oil	2.7m	1,050	
Daikyo Inc	3.1m	1,330	+10	Daiwa Sec	2.7m	1,480	+40
Fujitsu	3.1m	777		Itochu Corp	2.7m	618	-7

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NEW YORK STOCK EXCHANGE COMPOSITE PRICES

1993 High	Low	Stock	Div	Yld. %	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
14 5/8	11 1/2	AAR Corp	0.48	3.6	75	149	13 5/8	13 1/4	13 1/2	+1/8
29 3/8	13 3/4	A L Labs A	0.18	1.0	37	894	19 1/4	17 7/8	18 5/8	+5/8
65 7/8	54 3/8	AMP Inc	1.60	2.5	23	1580	65 1/4	65	65 1/8	+3/8
72 3/4	55 1/2	AMR			17	3729	67 1/2	65 5/8	65 5/8	-1 3/8
2 3/4	1 3/4	ARX			17	3249	u2 7/8	2 3/8	2 7/8	+1/2
51 1/2	29 7/8	ASA	2.00	4.4	29	450	45 1/4	44 7/8	45	+1/4
30 3/4	22 5/8	Abbott Lab	0.68	2.6	16	10206	26	25 3/4	25 7/8	+3/4
12 5/8	9 1/2	Abitibi Pr	0.50	5.1	4	31	9 7/8	9 3/4	9 7/8	+1/8
15	*8 1/4*	*Acptocsin*			*47*	*317*	*u15 1/4*	*14 3/4*	*15 1/8*	*+1/2*
33	25 1/2	ACE Ltd	0.40	1.2		1348	u33 1/2	32 3/8	33 1/2	+7/8
12	10 3/4	ACM Gvt In x	0.96	8.6		585	11 1/4	11	11 1/8	
10	9 1/8	ACM GvOpp x	0.80	8.1		37	9 7/8	9 3/4	9 7/8	
9 7/8	8 3/4	ACM Gvt Sp	0.80	8.7		542	9 1/4	9 1/8	9 1/8	
11 5/8	10 1/2	ACM Gvt Se	0.96	8.7		843	11	10 7/8	11	
11 5/8	9 5/8	ACM Msn x	1.06	9.5		116	11 3/8	11 1/4	11 3/8	+1/8
9 3/8	8 5/8	ACM Msspd x	0.72	7.8		214	9 1/4	9 1/8	9 1/4	+1/8
12 3/8	7 3/4	Acme Cleve	0.44	4.0	14	120	11 1/8	10 3/4	11	
9 1/4	6 1/2	Acme Elect			229	44	7 1/8	6 7/8	6 7/8	-1/8
25 3/8	18 3/8	Acordia	0.44	1.8	14	11	25 1/8	25 1/8	25 1/8	
16	10 3/8	Acuson			32	421	11 7/8	11 1/2	11 5/8	-1/8
21 3/4	19 1/4	Adams Expr	0.48	2.5	0	191	19 3/4	d19 1/4	19 1/4	-5/8
66	45 1/2	Ad Micro	3.00	4.7		893	u66 1/4	64 3/4	64 1/4	-3/4
32 1/4	17 5/8	Ad Micro P	3.00	9.6	12	13671	32 5/8	31 3/4	31 3/8	-3/8
7 3/4	5 1/2	Advest Grp	0.16	2.3	12	75	7	6 7/8	6 7/8	-1/8
24 3/4	16 1/8	Advo Inc	0.08	0.5	19	148	17 3/8	17 1/4	17 3/8	-1/4
49 3/8	41 1/8	Aegon ADR	2.95	6.1	9	457	48 1/4	47 3/4	48 1/4	+3/4
60 1/2	43 3/8	Aetna Lf	2.76	4.7	40	2380	59	58 1/8	58 3/8	-5/8
14 1/2	11 1/2	Affil A	0.26	1.8	30	1921	14 3/8	14 1/4	14 1/4	+1/8
32 1/2	26 1/2	Aflac	0.40	1.2	16	2278	u33 1/2	33	33	+1/2
22 1/8	16 3/4	Ahmanson	0.88	4.5	22	678	19 5/8	19 3/8	19 1/2	
7 3/4	4	Aileen Inc			7	37	4 3/4	4 1/2	4 5/8	-1/8
48 1/2	37 1/2	Air Pr Chm	0.92	2.1	17	3503	44 7/8	42 3/4	44 3/4	+2 3/8
28 1/2	18 1/8	Airbne Frt	0.30	1.3	29	605	22 3/8	21 3/4	22 3/8	+5/8
37 1/2	18 1/4	Airgas Inc			40	113	36 7/8	36 1/8	36 3/8	-5/8
15 3/8	10 1/2	Airlease	1.60	10.8	11	54	14 7/8	14 5/8	14 7/8	+1/8
105 1/2	101	AlaPw8.16	8.16	7.8		z90	104	104	104	
107	*102 1/2*	*Alab 8.28C*	*8.28*	*7.9*		*1*	*104 3/4*	*104 3/4*	*104 3/4*	
18	12 3/4	Alaska Air	0.20	1.6	2	276	13	12 3/4	12 7/8	-1/8
19	14 1/4	Albany Int	0.35	1.9	62	241	18 3/4	18 3/8	18 5/8	+1/8
28 1/4	20 3/8	AlCulvr B	0.26	1.3	14	38	21 1/4	20 1/2	20 3/4	-1/4
25 1/4	17	AlCulvr A	0.26	1.5	13	311	17 3/4	17 1/2	17 1/2	
59 1/4	46 3/4	Albertsons	0.72	1.3	23	2424	57 1/4	55 3/8	56 7/8	+1 3/4
21 5/8	16 7/8	Alcan Alum x	0.30	1.5	32	4616	20 3/4	20 3/8	20 1/2	
50 5/8	35 3/4	Alco Stand	0.96	2.1	19	398	46 3/8	45 3/4	46	-1/4
27 3/8	19 5/8	AlexBrown	0.60	2.2	6	423	27	26 1/2	27	+1/4
28 7/8	24	Alexr Alex	1.00	4.0	27	654	25 1/8	24 7/8	25	+1/8
23 3/4	*17*	*Allegh Lud*	*0.48*	*2.3*	*21*	*831*	*20 7/8*	*20 5/8*	*20 7/8*	*+1/8*
54 7/8	46 7/8	Allegh Pow	3.24	6.0	15	286	54 3/4	54 3/8	54 3/8	-3/8
46	29	Allen Gp	1.75	4.0		11	43 1/2	43 1/2	43 1/2	
49 1/2	25 7/8	Allen Corn	0.24	0.5	25	1147	u50 1/2	49 1/2	50 1/2	+1
26 3/8	21 1/4	Allergan	0.40	1.7	14	1123	23 1/2	23	23 3/8	+1/4

[illegible]

- B -

[illegible]

- C -

[illegible]

- D -

[illegible]

- E -

[illegible]

- F -

[illegible]

- G -

[illegible]

- H -

[illegible]

- I -

[illegible]

- J -

[illegible]

- K -

[illegible]

- L -

[illegible]

- M -

[illegible]

- N -

[illegible]

- O -

[illegible]

- P - Q -

[illegible]

- R -

[illegible]

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